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PROCEEDINGS

OF THE

Sixth Conference of Registrars of Co-operative Credit Societies

also proceedings of the 7th Conference.

WITH APPENDIX.

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Babu Radha Mohan Sahib, Managing Director, District Bank, Jaunpur.

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Rao Bahadur Narayan Rao Kelker of the Balaghat District.

Babu Chiranji Lal, Manager, Central Bank, Ajmer.

The Hon'ble Sardar Rao Bahadur Motilal Chunilal.

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The Reverend E. M. Wheeler, M.A., Honorary Organiser, Murshidabad.

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Programme, 1912.

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(*c*) " Long-term loans and adequate security." (*R. B. Bishen Datta Shukul* —paper.)

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" The co-operative movement and Government control." (*R. B. Narayan Rao Kelkar*—paper.)

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PROCEEDINGS

of

The sixth Conference of Registrars of Co-operative Credit Societies in India which met in Simla on Monday, the 28th October and Wednesday, the 30th October 1912.

The Hon'ble Sir Robert Carlyle, K.C.S.I., C.I.E., I.C.S., presided during the earlier part of the meeting.

The Honourable Mr. Maclagan, in opening the Conference, said:—

Before fixing the time and place of this meeting I caused the greater number of the Registrars to be consulted, and I have, I think, met the convenience of the majority of them in having the meeting here at this time. I regret that considerations of time and space have prevented us once more from having the benefit of the advice of Mr. English, the Registrar in Burma. But I am glad to see that Mr. Mackenna, who is Joint Registrar in that province, has been able to attend this Conference.

Since we last met at Allahabad in January 1911, the co-operative movement has progressed a stage forward. We have now a new Act which extends to all classes of Co-operative Associations, the provisions formerly applicable to Credit Societies only. We have also, since we last met, seen the creation of two Provincial Banks in Bombay and the Central Provinces. We nave experienced the closer and ever-growing connection between the co-operative movement and agriculture. We have initiated an attempt to bring our statistics into line with those of Co-operative Societies in Europe. And in many other ways we have now much to record as to what has been done since we last met. Our move forward has been marked in another way by the absence from among us to-day of several officers, Messrs. Gourlay, Fremantle, Rama Chandra Rao, Campbell and Buchan, who were all more or less connected with the earlier struggles of co-operation in this country and who were with us on the last occasion on which we met, but I am glad to see that Kanwar Maharaj Singh has found time to join us. We are now commencing with the second generation, as it were, of Registrars, and these officers will, I have no doubt, be able to make use of the experience of their predecessors without losing any of their vigorous enthusiasm. It may also be noted that we are now called on to sustain the movement not only in India but in other countries also, and we have already been asked to give what help we can in starting co-operative credit in places as far apart as Mauritius and Fiji.

As regards our general progress I need scarcely do more than refer to the figures which are in the hands of the gentlemen present. The number of Societies has gradually since 1906 risen from 843 to 8,177 and the number of members from 91,000 to 403,000. There are similar increases in the amount of capital available and in the corresponding disbursements of the various societies, the whole indicating a gradual and healthy development. Most Registrars indeed now recognize the absolute necessity for proceeding gradually, but the pressure is all in the direction of undue expansion and it is well perhaps to draw attention once again to the danger of developments which are either so rapid or so dispersed as to outstrip the means available for supervision. Generally speaking, however, the progress made has been of a healthy and definite character, indicating that the co-operative movement has come to stay. We have now passed the preliminary stage of co-operation in this country. We no longer shake our heads about the suitability of the co-operative idea to the Indian population. We no longer have to endure mild chaff about taking in each other's washing. I was able, on the last occasion on which we met, to refer to the very outspoken support which we had received from the late Lieutenant-Governor of the United Provinces, Sir John Hewett. On this occasion, I could refer to many pronouncements made by most of the Local Governments in India, but I would draw special attention to the remarks made by Sir George Clarke, the Governor of Bombay, at the opening of the Poona Co-operative Credit Conference in August last. From Sir George Clarke's speech it

will be seen that it was no longer necessary for him to dilate on the main principles of co-operation. These he assumed as accepted on all hands, and his speech was devoted largely to laying down valuable suggestions regarding the method in which the principle should be carried into operation. The reports submitted by the Registrars to their respective Governments, for the year now closed, show the exceedingly useful results, both direct and secondary, which have followed from the adoption of co-operative methods in India. We have instances brought to our notice of the effect of co-operation in improving the education and morality of the communities which have adopted it, in reducing unnecessary expense, in supplying medical relief and in many other ways, and all this is valuable quite apart from the direct economic benefits conferred by the societies. The effect of co-operation on litigation is in some places very marked and we hear in one district of a decrease during the year of 1,100 civil cases which the Judicial authorities ascribe in the main to the institution of co-operative credit societies. If we take the question of saving in interest alone, the benefit done has been very great and is increasing. We may fairly assume that the saving on each loan given out by societies during the year to agriculturists has amounted to at least 10 per cent. and the result is that at a low computation we save the agriculturists of India from an absolutely unnecessary burden of at least 10 lakhs of rupees for every crore of rupees lent out by co-operative societies. And the sums so lent out have already begun to be counted in crores.

A glance at our agenda will show that there is much in the working of the societies which is still subject to discussion. We have on some points settled down. We have, for instance, decided with some approximation to finality on the system of society suitable to various portions of India and though changes may gradually come about hereafter, the system of each province would appear to be now more or less definitely settled. But many details still remain for discussion and decision and it will, as experience in Europe shows, be a long time before there is any degree of finality in most of the details of co-operative management. These details are by degrees being taken up and discussed and decided, partly by the Registrars and the Local Governments themselves and partly by the help of provincial and local conferences and partly by discussion in general conferences such as ours. Many of these points, as will be seen from the agenda, are points of very considerable importance, but I may be pardoned if I venture to dwell on two of these as representing what seem to me to be the two chief matters outstanding for discussion at the present time.

The first of these is the question of audit and control, a subject which has been discussed very often before both by ourselves and by provincial conferences. At our last meeting we obtained through the labours of a strong sub-committee a clear idea of the methods adopted for audit and control in each province, and we propose on this occasion to take up the subject in further detail. The Government of India have several times expressed their opinion that the needs of audit and control should not be allowed to occasion the development of anything in the shape of a large new department of Government and they have frequently advised that the audit and control of rural and urban societies should as far as possible be handed over, as time goes on, to unions of societies themselves. To this opinion the Government of India still adhere. It is an opinion based on the best experience in Europe, and it has been accepted as correct by the Provincial Governments. At the same time, with the increase in the number of societies, the necessity for expansion in audit and control has correspondingly increased, and Registrars, in more than one province, are becoming anxious as regards the efficiency of the control for which they are responsible. We have to consider whether we cannot secure what is wanted in this direction without departing in any way from the general principles already accepted as correct. The audit must be such as to secure two things, namely, that all transactions of societies are duly accounted for and that the public retain confidence in our control. Some of the reports received show that there are very real dangers to be guarded against in connection with the accounts of societies, and it will be for us to consider what line should be taken to provide the necessary supervision and audit without doing anything which may lead to the creation of a Government department.

The other point of special importance to which I would draw attention, is the need for strengthening the connection between the co-operative movement

and the development of agriculture in this country. The Government has done a great deal in recent years to encourage progress in both of these departments, and I venture to think, with no small degree of success. In his speech to which I have drawn attention above, Sir George Clarke has quoted Canon Rivington 'whose knowledge of conditions in the mofussil', he says, 'is profound,' as having told him not long ago that he believed that the Agricultural and Co-operative Departments were making a deeper impression on the life of the people than any of the other measures which Government are engaged in promoting. What we now desire to see and what to some extent has already commenced, is the combination of the efforts of the two departments. The point has been brought to special notice in a resolution of the Board of Agriculture in November of last year and in an article by Mr. Buchan in the July number of the 'Agricultural Journal of India,' and it is now generally acknowledged that though there are many other subsidiary means for improving the economic position of agriculturists in this country, our main hope of putting the agriculturist on a right footing rests in the adaptation of co-operation to needs of agriculture. A reference to the useful Bulletins of Social and Economic Intelligence issued by the Agricultural Institute at Rome shows the important part which co-operation plays in the economic development of agriculture in Europe. A great deal can be and has been done in India by co-operative credit alone, but the new Act has now widened opportunities for combination by opening out the spheres of co-operative production, co-operative distribution and co-operative insurance. Special steps have been taken to finance agriculturists on the introduction of new irrigation by the increase of co-operative credit societies in Bombay, in Burma and in the Central Provinces. The co-operative work has in many places been brought into contact with that of agricultural associations. Seed societies of a co-operative character have been started and in many other ways the combination desired has been already commenced. In many provinces great help has been given to the co-operative movement by the Deputy Directors of Agriculture and we shall have, I hope, an opportunity at the present Conference of discussing the manner in which and the extent to which help of this kind may be further developed.

I have to offer thanks to all those who have taken the trouble to come to this Conference, and particularly to those who have come from a distance, and to non-official members.

Sir Robert Carlyle said:—

When I first read the last reports, many matters of importance struck me which I wished to mention; but on consideration there is one point of such outstanding importance that I will at first confine my remarks to it alone. The very success of the co-operative movement brings its own dangers and it appears to me that the chief of those dangers is that we may be tempted to go too fast and out-grow our strength. We should, I think, be very careful in organizing new societies. One good society does more good for the co-operative cause than twelve indifferent ones, as one society well-run on sound co-operative lines does good not only to its own members but also outside throughout the neighbourhood in which it is working. It forms a centre from which the understanding of co-operation is radiated, and one such centre is worth many societies in the working of which the benefit of co-operation is indifferently illustrated. There is a distinct danger now that the great benefits of co-operation are conspicuous that we will be pressed to move too fast. I would not have ventured to say this four years ago when the movement was in its infancy, and I trust you will not misunderstand me and think I want to throw cold water on the rapid extension of the co-operative movement. But I do wish to emphasise the fact that there is a danger in too rapid extension which may endanger the movement itself. Pressure is in many cases being brought to bear on you to register more and more societies, whether the people are ripe for them or not, and weak societies will in the long run tend to prevent the movement developing as it otherwise would do. The co-operative movement is one of the most important, if not quite the most important, movement of the present day in India and because of its very importance we should make sure of our ground as we advance.

Sir Robert Carlyle then withdrew and Mr. Maclagan assumed the presidency.

The President then sketched out the programme. He said the general programme will be taken up, as far as possible, to-day. The second day will be devoted

to sub-committees to which the following questions will be referred: subjects Nos. VII, VIII, IX and X. On the third day the findings of the committees will be presented and discussed, and the remaining subjects on the general programme will be taken up.

SUBJECT I.—A SHORT GENERAL STATEMENT OF PROGRESS IN THE PROVINCES DURING THE PAST YEAR—1911-12.

At the request of the President, the Registrars gave the following short general statements of progress in their various Provinces during the past year.

Bengal. The work of the year has been satisfactory in Bengal both as regards increased membership and increased funds on one hand, and efficient administration on the other. The main attempt of the Department during the year has been to bring into line the two divergent policies inherited in consequence of the annulment of the partition of Bengal. We intend to remain constant to the policy of developing the work through non-official agencies, and steady attempts have been made during the year to increase the number of such agencies. A feature of the year's work has in consequence been increased decentralisation of control combined with increased centralisation of societies into unions.

United Provinces. During the year the number of financing institutions in the United Provinces (district and central banks and unions) rose from 26 to 39. The old type district banks, which used to lend to individuals and to branch societies without independent existence, are being gradually transformed into true central societies lending money ordinarily only to independent societies. At the end of the year, of the financing institutions, eight were old type district banks, ten were central societies at district headquarters, fifteen were central banks in the interior of districts and six were unions in the interior of districts. There is now only a comparatively small number of rural and urban societies which are not affiliated to some central institution. The work of audit, control and education is being decentralised. The financing institution is made responsible in the first instance, Government Inspectors supervising the work of the local staff and educating them. The larger financing institutions have in many cases been audited by professional auditors, chosen from among managers and accountants of recognised joint stock banks approved by the Registrar. All financing institutions are, however, frequently inspected by the Registrar and his staff. In areas where a central institution is at work, new societies are registered only on its recommendation after scrutiny by the Government staff. The smaller central societies in the interior of districts are financed by the district organisation but they are also attracting local capital. District societies obtain their working capital from shares, local deposits and loans (on cash credit and otherwise) from joint stock banks. There is no difficulty about capital and no necessity has been felt yet for a provincial central bank. The number of small urban societies has increased from 124 to 166 and there has been a great increase in membership as well as working capital. They are practically all on an unlimited liability basis. In rural tracts, the old type branch societies of district banks and *patti* societies extending over several villages are being reorganised into self-managing one-village societies. Many societies have also been established in new areas. The number of rural societies rose from 1,108 to 1,741. The working capital per member in rural societies has risen during the year from Rs. 32-6-0 to Rs. 39-6-0. Owing to the breaking up of the unwieldy *patti* societies, the average membership per society has decreased, but the members are now a homogeneous body with more co-operative spirit than was formerly the case. On the whole both urban and rural societies have worked very well, but they require constant inspection and education. The necessity of decentralisation is therefore, paramount. The number of honorary workers is increasing, but not as rapidly as is desirable.

The experience in productive societies has not been happy. A sugar factory has been a failure and the Benares Silk Weavers' Association is in an unsatisfactory condition. The dairy at Benares is, however, doing very well and others on the same lines will probably be started elsewhere in the province. The weavers'

yarn store at Sandila, a small co-operative store at Cawnpore and a newly-opened general store at Sandila have all made good progress.

The small urban credit societies are gradually learning to combine, as yet in an informal way, for purposes of joint sale and purchase. In the rural societies there is a distinct tendency towards combination for agricultural work, *e.g.*, supply of seed, implements and fertilisers and for joint sale of agricultural produce. We are working in constant communication with the agricultural department and in the next two or three years there will probably be a marked development in this direction.

Punjab.

In the Punjab there has been a small increase in the number of Central Banks a comparatively large increase in the number of Unions (of the Central Banking type) and a fairly large increase in the number and membership of rural societies. An effort has also been made to push small artisans societies, but in this respect we have very poor results to show.

Our Central Banks, with one exception, are not very flourishing institutions, but both they and the Unions have strengthened their position by obtaining (so far in only 8 cases out of 26) cash credits with the Bank of Bengal. The prospects of the Unions are generally promising and they show great willingness in devoting part of their profit to pay for the cost of the supervising staff.

Rural societies have now a working capital of about 50 lakhs, of which about 60 per cent. is subscribed by the members, 17 per cent. is deposits by non-members in the village banks, 22 per cent. is lent by Central Banks and Unions and something over 1 per cent. by Government. The village societies, therefore, either subscribe or obtain as deposits more than $\frac{3}{4}$ of their funds. This, I consider, shows that they are a very healthy growth.

The village societies show 15 per cent. of the amount out on loan as "overdue", and I think this must be regarded as a large amount, which I should be glad to see diminished.

The Government paid inspecting staff was increased by 2 Sub-Inspectors during the year and consists now of 8 Inspectors and 8 Sub-Inspectors, 7 other Sub-Inspectors were being paid for by the societies at the end of July, either directly or through Central Banks and Unions, *i.e.*, an addition of 5 since last year, so that the societies are now beginning to contribute more largely to the cost of their supervision, but I am bound to say that at present the method by which the societies are contributing is not systematic.

Great progress is being made in paying off members' old debts, the object being that they should only owe money to their societies. A good deal of mortgaged land is also being redeemed. During the past year efforts have been made to still further improve the economic condition of members of village societies, by bringing the societies into closer connection with the Agricultural Department. A joint Agricultural and Co-operative Conference will be held in a few days' time.

The advantages of co-operation are now well understood in at least 10 out of 28 districts in the Punjab and, as sufficient money is now coming in, the movement may be said to have firmly established itself.

Burma.

The total number of Societies of all kinds in Burma increased between 30th June 1911 and 30th June 1912 from 503 to 804. The largest increase naturally was in rural credit which rose from 444 to 621. These have increased up to 9th October 1912 to 782.

Cattle Insurance Societies increased from 30th June 1911 to 30th June 1912 from 6 to 23, and by the 9th of October 1912 these have risen to 53. The total number of all Societies up to the beginning of October 1912 is 932 or an increase of 128 since the end of the official year.

The policy which we propose to follow is that of concentration, polishing of existing Societies, linking into Unions and the extension of the Cattle Insurance Societies.

Bihar and Orissa.

The progress of the societies in Bihar and Orissa as regards their number, membership and working capital has been steady as will appear from the tables in the report.

The line followed has been that of gradual extension combined with the consolidation and combination of existing societies.

Share Banks.—Credit Societies with limited liability are as a rule suitable only for urban areas. In this Province it is not likely to occupy a very important place as the absence of large towns renders its scope limited.

Unions or Central Banks.—On 31st March 1911 there were four Central Banks with a capital of Rs. 1,30,872. Since then the number has risen to eight and the capital to Rs. 2,34,881.

It has been found that Central Banks composed solely of representatives from village societies do not suit the conditions of this province. Hence all the Unions except that at Rohika and Banki admit outsiders to provide a business element in the shape of preference share-holders who are all men of position and influence of the locality.

The main difficulty under which these Central Banks are labouring is the want of a fluid supply of capital. Attempts are being made to arrange for cash credits with Joint Stock Banks and this has met with some success, but it is a little difficult to get the necessary guarantors.

The Rohika Union has a cash credit of Rs. 20,000 from the Maharaja of Darbhanga.

Ranchi Union has a cash credit of Rs. 10,000 with the Chota Nagpur Bank.

The Benares Bank Limited, Bhagalpur Branch, has agreed to give cash credits up to a certain amount to the Nawada, Banki and Khurda Central Banks.

Considering the progress made there is reason to believe that the Central Banks will fulfil the objects for which they have been established, *viz.*, financing and controlling societies within their sphere of influence and the spread of co-operative ideas leading to the spontaneous growth of village societies. It seems to be the only practical method of developing the co-operative movement in rural areas on a sound and permanent basis. But I have not yet seen sufficient of their working to be able to state whether their control will be really effective.

Village Societies.—The number has increased from 387 in 1910-11 to 489 in 1911-12, the membership from 19,706 to 25,331 and the working capital from Rs. 4,19,746 to Rs. 6,10,717.

An analysis of the working capital shows that a little over Rs. 10,000 was supplied by Government. This shows that the societies cannot be charged with dependence on Government support. The increase in the local capital from Rs. 26,194 to Rs. 87,311 is an indication that the societies are increasingly attracting local capital. The number of depositors is, however, still lamentably small.

An attempt was made to interest the planting community of North Bihar to take up the work like Mr. Macdonald of Daulatpur and Mr. Finch of Mangalgarh. Literature was distributed, but hitherto the attempt has met with little success.

In Bihar proper the need for Co-operative Societies is as great as the difficulty in starting them. The people are very backward, extremely litigious (and therefore suspicious) and for some years to come the only road of advance would appear to be that the philanthropist should take the place of the local money-lender, and devote himself not merely to arranging for cheaper credit but to education. With very limited experience I do not like to commit myself to any general statement at present either as to progress in the past or possible development in the future.

Urban Societies.—These have been confined to Amlas Societies which have not yet gained popularity and are (with one exception) doing no good.

Assam.

The number of Societies in Assam rose from 114 to 142, members from 7,636 to 9,758, and working capital from Rs. 3,85,371 to Rs. 4,91,411. Urban Societies

increased from 13 to 16, and Rural Societies from 100 to 125. The chief need is for more local supervision. The one Central Bank in Assam is a financing agency only. Hardly any non-official helpers are forthcoming; and the Registrar had only one official Assistant for a portion of the year. The formation of new Societies therefore has been proceeded with cautiously pending the consolidation of existing Societies into Unions, and the provision of an internal supervising agency.

All the societies formed during the year were credit societies, and no progress was made with other forms of co-operation.

Central Provinces and Berar.

In respect of mere statistics the figures for the Central Provinces and Berar testified to rapid expansion during 1911-12. The number of societies increased from 300 to 585, membership from 9,254 to 12,136, and working capital from Rs. 5,02,076 to Rs. 10,23,592. But these figures cannot be considered to reflect the full effect of the steady spade work done. The next annual report will show that the figures of the current year disclose a still more vigorous development.

The Registrar and his small inspecting and auditing staff were very fully occupied. The staff, which at first consisted of two men only, had to be increased to five men before the close of the year. Despite the fact that we all toured continuously throughout the year we were quite unable to deal with somewhat impatient demands for fresh organization in several new areas. Existing societies were carefully looked after and consolidated with a view to increasing their efficiency in the management of their own affairs. Strict attention was paid to accounts, to reserve funds (which almost doubled) and to the encouragement of local and thrift deposits (which last increased by 50 per cent.). Industrial societies on special lines were organized for weavers, milkmen, basket-makers, dyers, and brass-workers; and a commencement was made in the most important direction of linking up the work of the agricultural and co-operative departments. Throughout the Provinces the policy of turning undesirable members out of societies was vigorously pursued and a great deal of reorganization work was done.

A feature of the year's work was the formation of the Provincial Co-operative Bank with a capital of Rs. 5,00,000 (since raised to Rs. 7,00,000). This Bank is the immediate link between the Central (District or Tahsil) Banks and the money market.

No financial assistance in the shape of loans was asked for from Government, and none was given. On the contrary the sum of Rs. 4,050 due to Government was reduced by repayment to Rs. 2,300.

The system of accounts throughout, from the Provincial Bank down to the village societies, was standardized. Auditors were specially trained; and the part played by Central Banks in general control and supervision of societies much increased in importance. The demands made upon the Registrar by duties of a purely administrative nature rapidly increased. On the whole the work of unofficials showed a marked advance both in quantity and quality, and there is every reason to suppose that popular interest has now been aroused and is growing. Many new workers, both official and unofficial, joined in the movement. The "Agricultural Gazette" became the "Agricultural and Co-operative Gazette" and the Primer of Co-operative Credit was translated into Hindi and Mahrati. Several unofficial gentlemen contributed articles on co-operation to the public press. This year we are to have our first Provincial Conference.

Widespread illiteracy amongst the people is at present the greatest enemy of the movement, and the problem of keeping the accounts of small societies, especially in remote tracts, is a very difficult one. It is having careful attention, and we hope to solve it by bringing into general use a scheme which we have already tried successfully. In well developed areas, where there are a large number of societies, a payment by each member of every rural society of one anna per mensem will, it has been found, provide sufficient funds for the keeping of accounts by a trained staff of travelling accountants who are the servants of the societies although under the control and orders of the Central Bank. As regards the Central Provinces and Berar I am able to report that unofficial enthusiasm is increasing and that the services of many educated gentlemen have been ungrudgingly given. It is this encouraging fact that enables us to face the future with confidence, though

it cannot be too strongly insisted on that progress should not be forced in any direction whatsoever. Our present difficulties will gradually disappear just as past difficulties have done; and by degrees we shall obtain a complete co-operative organization, strong and steady. Progress there cannot fail to be: and as long as that progress is sure, steady, and real, the pace should be left to adjust itself automatically.

Madras.

The total number of Societies in Madras at the end of the year was 972 with a membership of 66,156 individuals against 596 societies and 44,102 members at the end of the previous year. One new Central Bank, Madura-Ramnad, was started at the end of the year, making the 6th Central Bank in the Province. By its constitution this Bank is intended to have the co-operative societies in Madura and Ramnad districts as the majority of its shareholders. This principle will be followed whenever any new central banks are started in future. Two unions for administrative purposes were started during the year: and it is hoped that the new Act which imposes on unions the principle of limited liability will enable more of them to be formed in the near future. The total working capital of all Societies was Rs. 74·64 lakhs against Rs. 49·15 lakhs in the previous year; the total net profit made by all Societies was Rs. 1·62 lakhs against Rs. 1·17 lakhs in 1910-11, and the total Reserve Fund of the Presidency was Rs. 2·98 lakhs, an increase of over one lakh of rupees for the 1st period of twelve months. The whole of the reserve fund is separately invested. The total amount of loans advanced by Urban Societies was Rs. 5·58 lakhs and by Rural Societies, Rs. 22·91 lakhs. The majority of the loans were advanced on personal security. Of the collectable demand 60 per cent. was collected during the year by Central Banks, 92 per cent. by urban societies and 88·2 per cent. by rural societies. Fifty-one rural societies which are placed in the first class held among them deposits to the extent of Rs. 1·01 lakhs which was nearly 70 per cent. of the total deposits (Rs. 1·46 lakhs) held by 916 rural cash societies in the Presidency. The number of rural societies which made a net profit of more than Rs. 100 each was 220. One Grain Bank, one Building Society, and one new Distributive Society were started during the year.

Bombay.

Progress in Bombay during 1911-12 was steady but at the same time slow enough to enable us to make good the new ground gained. The number of societies rose from 251 to 368. A good deal of intensive development took place and perhaps the most satisfactory feature of the year's working was the fact that the capital available per head has risen from Rs. 62 to Rs. 110. A society can only effect lasting good when its capital is sufficient to allow it fully to take the place of the *sowkar*.

The new Bombay Central Bank began operations in November with capital raised partly by shares and partly by 4 per cent. debentures backed with a Government guarantee. Its primary object is to finance rural societies in irrigated tracts, where crops are valuable and certain. A beginning has been made on the Nira Canal where about 8 lakhs have been advanced to 29 societies at 7½ per cent. This branch of the work of the Central Bank is not altogether co-operative in character but uses co-operative machinery to achieve the objects of a land bank. It is none the less valuable on this account. The Central Bank has financed ordinary rural societies to an almost equal extent, but at a rate of 7 per cent. Great care has been exercised not to allow societies to be formed simply with capital borrowed from this Bank.

Other special features of the year's work have been the closer connection of the co-operative with the agricultural departments. The Registrar has been placed in direct subordination to the Director of Agriculture. Special attention is being paid to weaving societies with particular reference to the direct purchase of yarn and the improvement of weaving methods by the popularisation of the fly-shuttle loom. Several distributive societies have been started under the new Act.

Recoveries have been good except in famine districts.

The attitude of the public is annually becoming more favourable to the movement, and in most districts no difficulty is found in securing the help of influential honorary organisers.

Coorg.

As may be seen from the summary of general progress of the Annual Report, no fresh societies were registered in Coorg during the year, but there has been an increase in members, capital, reserve fund and dividends corresponding with the past. The policy followed by me from the beginning and still adhered to is to maintain in good order what we have got, and to leave it to circumstances and time to build on a solid foundation. I do not profess for a moment that we have perfection in Coorg, but the very fact that the societies manage their affairs in an independent way, rarely seeking my advice and at times object to too much interference, is certainly a proof that the principles of co-operation are understood by them. Several grain banks have sprung up and are doing well and will probably be registered in course of time. But the most important feature will be the starting of cattle insurance in this Province; and which I hope, will be the new feature in Coorg in 1913. It was intended to start this form of co-operation last year, but before doing so I wanted to sound public views thoroughly. In the meantime I have made enquiries in Germany as to the way such societies (known as "Ortsviehversicherungsvereine") are managed there, and have now sufficient information to be able to start the movement with confidence. In a big Province, or District, a failure here and there might mean nothing, but in a tiny Province like Coorg, where every one knows all, in fact too much, of his neighbour's affairs there are only two ways: success or complete failure.

I would request the Conference not to attach too much importance to the fact that there have been 92 suits; this may look bad and is certainly not a desirable feature, it has had, however, a wholesome effect in all societies. And however extraordinary it may appear, yet there is the stubborn fact, that every defaulter paid his debt and almost all of them asked to be pardoned and re-entertained in the societies they belong to.

Turning to the subject of expenditure, relating to audit and controlling staff by Government and the societies the statement hereto enclosed shows: that the total cost borne by Government amounts to Rs. 240 which is the pay of a clerk attached to the Registrar's Office: there is no whole-time Registrar in Coorg, and I have to do the work in addition to my other duties.

All societies have their Committee and Controllers who get no remuneration. The Secretaries employed by them are paid from Rs. 8 to Rs. 15 per mensem and they have to submit monthly abstracts of accounts to their Committees during the meetings. The total expenditure paid by the societies in Coorg for the management to the Secretaries is Rs. 1,395 per annum. Revenue Officers from time to time check the cash balance with the cash accounts.

Ajmer.

On the whole progress in all directions in Ajmer seems very gratifying. The infant Central Bank which came into existence in February 1910, has gained strength more than what was at one time expected. The working capital by this time has quadrupled *i.e.*, has risen from Rs. 51,677-5-11 to Rs. 2,10,105-10-6. It has advanced to members of the Bank Rs. 37,828 and financed 153 Rural Societies to the extent of Rs. 1,79,987-14-8. The Rural Societies rose in number from 58 to 160 and the agriculturist members from 1,304 to 4,259. The working Capital from Rs. 61,184-10-9 to Rs. 2,16,947-0-8 of which Rs. 35,987-7-8 or say $\frac{1}{6}$ is the Societies' own subscribed Capital. The bulk of the loans issued were for the agricultural purposes, the biggest item being Rs. 90,448 for maintenance and purchase of fodder. For the purchase of seed and bullocks Rs. 41,137-0-0; and Rs. 38,272 were advanced to Rural Societies. The head Improvement of land and wells, is also a big item *viz.* Rs. 33,163. For the redemption of land and payment of old debts also Rs. 28,658, and Rs. 9,057 were granted.

3. Every one is now convinced of the utility and importance of the Central Bank and the agriculturists consider it a God sent blessing. The real work has been done, although the Central Bank and its Directors have still to realize that they are not to consider it to be merely a banking business without corresponding responsibilities. The good news that the Central Bank is giving money to Rural societies has spread like wild fire and applications are fast pouring in. A close scrutiny has to be made before an application can be granted. A Register of *Haisyat* is maintained in which all details about property and estate of each

member is recorded before a loan is made. Some of the societies, who have had their dealings with the Central Bank for over four or five times, such as Dorai, Saradhna, Makrera, have very well understood the ins and outs of the movements, and their own capital has risen to Rs. 1,000 to Rs. 1,300 and they hope to be soon on their own legs and be independent of the Bank's aid in a few years. Repayments have been punctual in most cases, as so far little difficulty is being experienced in the recovery of loans. The movement in this District has been slow to come, but I am glad to say it has been gaining a firm footing and the idea a firm hold on the people. There is no paid and whole-time Registrar in the Ajmer-Merwara District and the General Manager, Court of Wards, does the work of Registrar. There is no paid establishment of any kind. The Court of Wards establishment has been doing all the work from the organization of a Society down to the managing of the Central Bank. Under these circumstances much can not be expected, what would otherwise have been done by a paid and whole-time Registrar with the requisite paid establishment. Notwithstanding this, the work done up to this time is in no way less creditable to those concerned, and had it not been done more as a labour of love, no such Central Bank with a working capital of about Rs. 3,00,000 would have been forthcoming in Ajmer by this time. But it is time, that the Government sees to the necessity of giving well-paid establishment for this purpose. The work which depends on personalities or is done out of love cannot be done beyond a certain limit, at least, such is my humble opinion. If the area and population is taken into consideration and the progress done in the District is contrasted with other provinces, I think this District, a smaller and juniormost in many respects, will still stand out prominently, which is by no means a little consolation for those who have worked for it so far, and for the District which was at one time singled out for having shown no progress in this matter. In the Ajmer Protestant Mission Colony of Asharpura, a Society has been formed of the native Christian community. In the Native State of Kotah, a Society has been formed of native Christians on the lines of our British Act.

Baroda.

The progress of the Co-operative movement in the Baroda State continues on the same old lines. The number of Societies have increased from 77 at the end of the last year to 122. The working capital of these Societies is now a little more than 2 lakhs, an increase of Rs. 70,000. The total membership stands at 2,815, while at the beginning of the year it was 1,729. The Reserve Fund amounts to Rs. 11,000, which sum amounted to Rs. 4,000 last year. The movement is spreading slowly but steadily. Instead of increasing the number of Societies every effort is made to improve the working of the old ones. There are two or three important features of the movement during the year. A Co-operative Banking Union is organised in one of the backward districts of the State and an Agricultural Graduate of five years' standing is appointed as Manager. He is now receiving training in my office. It is expected that this arrangement will facilitate the introduction of Agricultural improvements in the Taluka through Co-operative Credit Societies. Arrangements are also made to organise another Union at Naosari. A donation of Rs. 25,000, surplus of the Naosari Industrial and Agricultural Exhibition Fund, has been received for the purpose. There are five Agricultural Banks in the State with a working capital of Rs. 1,70,000. At present they finance individual cultivators only. It is now arranged that these Banks should finance Co-operative Societies only. In this way at least one district of the State will be made independent of any financial help from the State. Orders are issued asking School teachers to act as Secretaries of rural Societies in backward Districts. A Government Resolution is also issued requiring all Revenue Officers to interest themselves in the Co-operative movement and help it. The Baroda Co-operative Credit Societies' Act is also being amended.

Mysore.

The first Co-operative Conference in Mysore was held in September 1911 and sat in deliberation for three days. It was attended by about 400 leading gentlemen from all parts of the State. It discussed the principles of Co-operation in relation to the needs of Mysore and passed valuable resolutions on the steps to be

taken for promoting the movement on right lines. It was opened with an eloquent speech in Kanarese by the Yuvaraja of Mysore who also evinced his keen personal interest and sympathy with the movement by sitting with the delegates for a group photograph, copies of which he graciously presented to each delegate with his autograph signature in token of his recognition of their good work in the cause of co-operation. This drew public attention to the movement and roused public interest in Co-operative matters as nothing else could have done.

As a result of this and other causes the Co-operative movement made great progress during the year. The number of Societies rose from 111 to 208, the members increased from 9,043 to 13,148, the working capital increased from Rs. 3,71,194 to Rs. 6,75,312, the reserve fund doubled itself from about Rs. 9,000, the net profits increased from 19,000 to 34,000, and the loans issued increased from Rs. 6 to 10 lakhs.

This rapid progress of the movement was greatly facilitated by the valuable service rendered to it by two Central Banks namely those at Mysore and Bangalore. These banks are merely financing institutions. The Bangalore Bank includes the whole State within its area of operations; whereas the Mysore District Bank was started this year for the benefit of the Societies in the Mysore District. Both the Banks admit individuals and Societies as members. The Bangalore Bank has established itself in the public confidence, having sold out all its shares and collected about Rs. 70,000 in long term deposits. At the end of the year it had lent out Rs. 78,360 to 20 Societies and 7 individual members. In consequence of the existence of these banks there has been little demand for financial assistance from Government and no loan was granted out of State Funds.

Nearly 200 out of the total of 208 Societies are credit institutions. Of these 122 are unlimited and the rest have limited their liability. There are 160 Societies working in the interest of the agricultural population with a membership of 7,030 extending their operations over 1,248 villages in the State. The stores societies have been thriving best in district head-quarter towns. Their total transactions amounted to about 2 lakhs of rupees. There are 7 Societies purchasing yarn wholesale and selling it to weavers. The value of yarn bought and sold amounted to about Rs. 75,000. There was one Society which manufactured lac-ware toys in common and sold them for the benefit of the members. One Society put by its entire profits amounting to about Rs. 1,000 for starting a farm for demonstrating improved methods in agriculture and sericulture.

It may be safely stated that the public has had a wider and better understanding of the objects and principles of co-operation than ever before and they appreciate its benefits both economic and social more thoroughly. They have understood that the saving in interest alone effected by the members of Co-operative Societies on their loans has been as much as about half a lakh of rupees last year. The indifference and apathy of the public to the movement may, I think, be now considered fairly fully overcome and with the active sympathy, interest and co-operation of the people themselves, it will be possible to look forward to an era of steady and solid progress without extraordinary official efforts.

II.—Co-operative Year.

Rai Bahadur Bishan Datta Shukul raised the question of the date of the co-operative year:—He said.

"At present the co-operative year in the Central Provinces ends on March the "31st. The people are then busy in the *rabi* harvest and it is extremely difficult "to fill in the annual statement. The Conference is invited to consider whether "December the 31st would not be a suitable date on which to end the co-operative "year for all Provinces. In view of the Joint-Stock Bank year ending on the same "date and the intimate connection of Co-operative Banks with Joint-Stock Banks "uniformity of procedure is most desirable, and I have also to draw the special "attention of the Conference to the fact that April and May are the very months "when the societies generally repay their instalments, and require fresh advances "for their diverse needs, owing to which the position of the Central Bank under the

"present arrangements becomes extremely difficult, especially of such as ours, which "finances 225 societies, within the limits of one single Tahsil, for, while, on the other "hand, it has to meet the pressing demands of its constituent societies, just on the "other, its whole staff has to be busy, in the preparation of the annual statements; "and both being equally important, demand equal attention and promptitude, "which we find it rather difficult to ensure."

The President remarked that the date was now left to Local Governments, but the statements were required by the Government of India within 4 months of the end of the co-operative year in any province and in any case not later than the 1st November.

Mr. Mitra said he preferred the 31st December.

Mr. Chatterjee said that in his province the co-operative year ended on the 30th of June and that great difficulty was experienced in completing figures for the Government of India by the 1st November.

Mr. Crosthwaite said in the Central Provinces the year now ended on the 31st March but that he would prefer the 30th of June for the year if he could be given time up to the 1st of December in which to supply the figures.

The President said that the time by which the Government of India required the figures depended very much on the time at which the annual conference of Registrars was to be held and that there were difficulties in holding it in the middle of the camping season.

Mr. Langley suggested that it should be held just after Christmas.

Mr. Ewbank objected that the co-operative year in Bombay had recently been fixed after much consideration up to the 31st of March and that his figures would be stale by Christmas.

*It was decided that the date by which figures should be supplied to the Government of India should be postponed until the 1st of December the conference being held early in January. Each Government should be left, as at present, to fix its own co-operative year.**

III (*a*).—Rate of Interest.

Mr. Langley in introducing the subject asked for the opinion of the Conference whether it was better for societies to go on piling up profits which might be used to strengthen the reserve or whether it would not be better to reduce the rate of interest on loans issued to members. He remarked that the provision of a reserve fund was an important matter, but it seemed hard to charge the poorer members higher rates of interest for their loans than was really justified by the condition of the societies. His suggestions only referred to societies which supplied their own funds and not to societies which depended on borrowed money.

Mr. Chatterjee was of opinion that the time had not yet come to reduce the rate of interest because the reserve fund was still small and a larger reserve was wanted. The average rate in his province charged by societies was 15 per cent. against 37 per cent. which the cultivator had to pay to outside lenders, and he thought that if the rates were further reduced the cultivator might be induced to borrow above his necessity.

Mr. Mitra agreed, and remarked that the rate of interest charged ought to bear some relation to the market rates.

Diwan Bahadur L. D. Swamikannu Pillai said that the rate charged in Madras to rural societies was 7½ per cent. and that even at that rate one central bank made a profit of 20 per cent on its share capital. He thought, however, that the rate should not be reduced but that a portion of the profits should be devoted to audit and control.

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* See however the subsequent Resolution passed on 30th October (pages 31 & 32 below).

Mr. Chatterjee remarked that the 15 per cent. mentioned by him included charges for audit and control.

Mr. Langley remarked that the proposal referred only to loans to Members and not to societies.

Maulvi Sayid Ali Bahadur Sahib said that an examination of bonds executed by cultivators in the United Provinces showed that they paid 37½ per cent. interest together with *nazrana* and presentations at harvest time.

The general opinion of the conference was that it would at present be premature to express any opinion in favour of the general reduction of the rate of interest charged by Co-operative Societies to members.

III (*b*).—Punctuality in the Repayment of Loans.

The subject having been mentioned, Mr. Chatterjee said that loans which were not punctually repaid should not be shown as overdue, unless an attempt had been made to recover them without success. If through adversity of season, or for good reason, the borrower was unable to pay the instalment as well as the interest, the date of repayment of the loan should be shown as postponed.

Mr. Crosthwaite said that in the Central Provinces the Italian method was followed. Loans were advanced on pro-notes and those had to be renewed every year. They were not renewed without a further verification of security and on satisfactory cause shown that the instalments due could not be paid.

Mr. Mitra remarked that it was important to fix *kists* judiciously.

Diwan Bahadur Swamikannu Pillai said that if in Madras instalments were not repaid but only renewed, they were called " re-loans ", and he would ask for the opinion of the conference which was the better course.

Mr. Langley asked whether re-loaning did not lead to slackness in repayment.

Mr. Haller remarked that in Coorg those who failed to pay instalments on due date were called " Defaulters " and were made to pay by process in the Civil Court. He remarked that there had been 90 cases, but the societies had not lost a single pie either in the interest or principal of loans or in costs of court.

Babu Radha Mohan said that if time for repayment were not given, the borrowers would go to the Mahajan to borrow money to pay their debts to the Co-operative Society. To prevent paper transactions, a rule had been made that no loan should be issued within 15 days of the date of repayment of a previous loan.

Diwan Bahadur Swamikannu Pillai asked the meeting to condemn the system of " re-loans ".

Mr. Haller remarked that in Germany it was not the custom to insist on the repayment of an instalment due if the security remained good and the interest was paid.

Mr. Crosthwaite remarked that the object of renewing their pro-notes annually was that they might see if the security was good, and if not, they did not renew, but recovered the whole loan.

Mr. Narayanayangar (Mysore) said that in Mysore each borrower who was unable to pay an instalment had to go before the committee and show reason, and if he could show none he had to pay 50 per cent. extra interest. This system worked very well.

Kunwar Maharaj Singh was of opinion that it would be better to err on the side of strictness and that ordinarily the repayment of loans on due date should be insisted on. In his experience borrowers frequently asked for an extension, although quite able to pay, merely to see whether the committee would be amenable.

Maulvi Sayid Ali Bahadur remarked that once the people realized the benefit of co-operation no difficulty was found in recovering loans. Last year, he said, they had had a bad *kharif* and he had suggested to the Registrar that postponement might be necessary, but the money came in. Punctuality in the United Provinces was ensured by holding a meeting once a month at which the condition of crops, cattle, the number of festivals, marriages, etc., and other expenses of members were considered by the Committee. Rewards, such as *Puggries*, were also given to those who were punctual in repayment. He was, therefore, not in favour of relaxing the rule.

The sense of the meeting was that re-loans or renewals might be given, but that they should be given sparingly, and that they should not be given unless good excuse existed and the security remained sufficient.

III (*c*).—Long-Term Loans and Adeqate Security.

Rai Bahadur B. D. Shukul said :—"If co-operative credit is to be a real economic factor in agriculture we must face the question of old debts. We have, also, to consider loans for certain productive purposes such as, the sinking of wells and the embankment of fields. The matter of long-term loans is, therefore, a most important one which has given rise to much discussion. About loans for short terms, there is no difficulty. I cannot persuade myself to believe that it is either safe or possible to fight shy of the general indebtedness of the Indian peasantry. "The peasantry of India must", it has been truly remarked, "borrow, and borrow freely, annually, and continuously." Continuous borrowing unaccompanied by the practice of thrift and regulated credit has resulted in a load of old debt, the existence of which is a grave menace to the progress of the country. In actual experience I have found, time and time again, that it is useless to form a rural society unless that society is to be supplied with the funds necessary to break the power of the usurer. The local money-lender is in active opposition, whatever may have been said or written to the contrary. If we form a society and leave the money-lender in a position of power he can wreck our society at once by putting his clients (who desire to get rid of his tyranny) into court. As a matter of actual fact this is exactly what happens when we leave the members of a society between the devil and the deep sea by refusing to face old debts. Our hesitation to pay off old debts hinges on the question of adequate security. The Tenancy Laws of the Central Provinces place serious difficulties in our way. Act II of 1912 contains special provisions to provide proper security for short-term loans for the purchase of seed, etc., etc. But I can find nothing in the Act to safeguard long-term loans, and when it has been considered necessary to protect short-term loans, by legislation, I cannot understand the reasons which may have been accepted for the complete omission to consider long-term loans. Joint responsibility and personal security have not, by themselves, been held to be sufficient for short-term loans ; and yet we, who have the interests of the movement in our keeping, are left to struggle as best we can with the vital question of long-term loans for the relief of debts carrying crushing rates of interest. Sir Frederick Nicholson, who was master of his subject, wrote in his monumental work on the subject of co-operative credit that the true method of fostering co-operative institutions was by enacting laws calculated to foster their growth. In discussing the question of an Agricultural Bank, the Government of India, as long ago as 1884, expressed its views in the following terms :—"Yet the Bank could not hope to succeed unless it could be started in a field where the agricultural classes were unencumbered with debt or were enabled to liquidate their existing debts on reasonable terms." I claim no novelty for the views I now put forward. Before I accepted the opinion of Government, which I have just quoted, I was at pains to test it in actual practice, and I can now endorse the view taken by Government of the problem presented by existing indebtedness. It is, in my opinion, imperative that the question of old debts should not be shirked : and it is equally imperative that Government should help us in the matter by special legislation or by the reform of existing laws which hamper sound development.

My arguments apply, I think, with equal force to loans for permanent land improvements. As observed by Adam Smith, capital sunk in land improvements

is never again disengaged, but only creates an additional income of varying amount from which the capital so sunk can be recouped by means of petty annual instalments. Government has accepted this principle; for loans made by Government are always for long-terms. But Government makes sure of recovery by means of special legislation in its own favour. I am only a guest at this Conference and I have no desire to abuse the laws of hospitality by making harsh criticisms. But I beg leave to say that the claims of the co-operative movement to specially favourable legislation have not, as yet, been sufficiently considered. Until we are in a position to grapple with old debts on terms equitable to the borrower and to the public, *whose money we are responsible for*, we are compelled to face odds which are unfair. Even so, we have done our best. The Bank, of which I am the head, advanced in 1910-11 Rs. 50,000 for the repayment of old debts, and in 1911-12, Rs. 36,850 for the same purpose. We also conciliated debts and secured relief for debtors to the extent of Rs. 50,000. We have, in plain words, been compelled to take the risks involved by long-term loans, because had we been timid the usurer would have been triumphant. Let me point out that co-operative institutions are not ordinary business concerns for the exploitation of the borrower. They belong to another and absolutely distinct field of enterprise. We consider, in the Central Provinces, that our banks and societies are most powerful friends and allies of Government. Government uses public money, so do we. Government charges fixed rates of interest on its *takavi* and land improvement loans, so do we charge fixed rates. We restrict our dividend, we return profits to custom, and we do all we can to rouse the cultivator and the artisan to better methods and to better business. We work in the same direction as Government for the public good, and, as Government auxiliaries, we in no way sacrifice our independence in the business-like control and management of our own affairs. We train our small rural and industrial societies to manage their own affairs because the stage at which interference in every detail can be regularly exercised by us has long since been passed. All we ask is that Government should help us to carry out our task with success by strengthening the security which our societies have to offer. I beg the permission of the Conference to suggest that:—

(*i*) In respect of loans issued for the liquidation of old debts, the period of lien should be extended to 5 years.

(*ii*) In respect of loans granted solely for the purpose of permanent improvements, the claim of a registered society should be granted priority over other claims, subject only to any claim of Government for land revenue, or of the landlord in respect of rent or money recoverable as rent".

Rao Bahadur Narayan Rao Kelker said that as he also came from the Central Provinces he might be permitted to make some remarks. He hoped that his proposal would be considered not purely local. The alienation of agricultural land was restricted in most provinces, that those for whom co-operation was chiefly intended had frequently not an alienable right in the land and that therefore the security of land was insufficient. Loans were required for two purposes; firstly, to repay old debts and secondly to carry out permanent improvements in land. Unless the borrowers depended entirely on the societies for their loans the full benefit of co-operation was not received. If a long-term loan was wanted, solid security was necessary. He had no faith in the hypothecation of future standing crops. If the mortgagee should raise no crop or should sublet the land, the security was gone. The security therefore should be on the land itself. In his province nine-tenths of the members of rural societies had only inferior rights. They were chiefly ordinary and occupancy tenants. They ought to have transferable rights in their lands. He doubted whether the Act of 1898 was necessary at the present time. (In answer to the President) He said that his general point was that rights in land should be made transferable to co-operative societies.

Mr. Ewbank agreed with Mr. Kelkar that security was required for long-term loans. Long-term loans secured on carts, cattle and perishable property were

insecure. It was a practice in Bombay, in the case of long-term loans, always to take mortgages on land and to advance only up to one-third of the value of the land.

Mr. Crosthwaite remarked that unless old debts were repaid it was impossible to help the cultivators in the Central Provinces. As they had no security to offer other than that of their names, the loans must be given without solid security or not at all. His point was that what was wanted was that the co-operative societies should have better security than usurers.

The Revd. E. M. Wheeler said that the same difficulty existed in Bengal and the difficulty was accentuated in places where the zemindars were hostile.

Mr. Mitra agreed remarking that tenants' lands in Bengal were not alienable without the zemindar's permission, but he understood the object of co-operation was to make the best of the sources of credit which existed and not to create new sources of credit, which would be the case if tenants were given rights in land merely to forward the co-operative movement. If the law were altered, it should be altered with general effect.

Mr. Crosthwaite pointed out that there was no comparison between a usurer and a co-operative society. The object of the two was different. The usurer's object was to fleece the borrower and to share in his agricultural profits, whereas the object of co-operative societies was to keep the agriculturist on the land and enable him himself to reap the maximum advantage from his labour. In many cases, he pointed out that the original loan from a usurer had been very small but had been added to by compound interest over a series of years. He said the co-operative societies were *bonâ-fide* and so were entitled to better security than usurers were.

Babu Radha Mohan said that what he wanted was to have the security of land, and, in order to obtain it, rights in land must be given to the cultivators, but the condition of other provinces should be considered. In the United Provinces most tenants had occupancy rights. These rights were given under the Tenancy Act to tenants as a class but not as members of co-operative societies. The whole tenancy law of India would be altered if the proposal were accepted. Co-operation was meant for the poor rather than for the rich. At present the rich and the poor were in one society and some poor men now obtained loans on the security of their richer friends, but those would be debarred if the proposal were accepted. He was not in favour of it.

Maulvi Sayid Ali Bahadur said that the answer to the last speaker was that if the security offered were not sufficient it was not necessary to give a long-term loan. The matter dealt with affected only agriculturists. Loans were given for the purchase of cattle and for the sinking of wells, etc., but in the United Provinces they preferred to rely on the Haisiyat Register in which all property is recorded together with the maximum amount of loan authorized. They were therefore on the safe side. The long-term loans were for 3 or 4 years and all were got back without difficulty although in Oudh no transferable right in tenancy existed.

Rai Bahadur Bishan Datta Shukul said that he did not think other provinces should be considered. His proposal was merely that the term of 18 months mentioned in section 19 of the Act should be extended to 5 years as regards the lien on standing crops. His only request was that the Government of India would amend section 19. Cultivators in the Central Provinces were not prosperous. All the members of the 225 societies which he controlled had old debts to repay. Their method was to find out the amount of the debts, to arrange conciliation proceedings and then to form societies and pay off the debt. The second object for which loans were given—the improvement of land—also required a longer lien. The principle was accepted in section 19, and he saw no reason why it should not be accepted in this case also. He thought that in the case of loans for the permanent improvement of land the loan of the society should be a first charge.

Kunwar Maharaj Singh objected that the proposal was another step towards making co-operators a privileged class. The object was, he said, that loans should be given without risk, but the object of co-operation was that the risk should be

taken. If we made co-operators into a privileged class it was no longer true co-operation. He suggested that it would be better to wait and see if people were less punctual in repaying long-term loans than in repaying short-term ones.

Mr. Chatterjee opposed the proposal because it cut at the root of co-operation which was based on mutual security and would also make enemies of zemindars who were now friendly. The Registrar of the Central Provinces said that he had enough security as it was and he proposed that the conference should not accept the proposal before it.

Mr. Crosthwaite then asked leave to read the following Circular which he had issued, and asked the opinion of the conference on it :—

The business of advancing money for the repayment of old debts is still insufficiently understood by Central Banks, and the Registrar hopes that the following instructions will prove useful :—

1. No Society should be formed for the express and *sole* purpose of paying off old debts in mass. The main object of co-operative banking is to bring capital into brisk circulation and to increase the earning power of the people by teaching them to make better and more frequent use of their money. This object can best be achieved by the employment of loans in productive work ; the loan with interest to be paid back out of profits, and the borrower left, by the product of his loan, better off than he was before. Such productive loans are generally for *short terms*, they must result in brisk circulation, and they assist co-operative banking by keeping assets liquid.

2. Short-term loans for productive purposes can, with safety, be granted to Societies on the strength of unlimited liability, and to individual members of such Societies on personal security. But safety disappears unless Central Banks carefully supervise the Societies working under them and unless the members of Societies exercise that mutual check which ensures that loans are not misapplied and that the dealings of every member with his Society are honest. Moreover, very powerful reasons must be required for failure to observe strict punctuality in repayment, and, in addition, it must be impressed on all Societies that it is their duty to repay and not the duty of the Central Bank to send and collect.

3. Short-term loans for the relief of slight indebtedness can, generally, be given with safety on personal security. But, even in the case of such loans, a careful scrutiny of the borrower's resources is necessary. The question to be decided in each case is this : " Is the borrower's income large enough and secure enough to justify the expectation that he will be able to meet his ordinary expenses and pay interest charges and instalments of principal ?

4. Long-term loans cannot, as a rule, be safely granted on mere personal security. There is always a grave risk of loss involved in such loans. The borrower may die without estate and without heirs, he may change his abode, his chararcter may alter, his land may go from him. A thousand things may happen any one of which would result in loss of money if not to the Central Bank at any rate to members of the Society of which the defaulter is a member. The furnishing of sureties and real security may, with absolute propriety, be insisted on before granting any loan, the repayment of which is to extend over a term of years. Even so, great care must be exercised in approving sureties and in making a very moderate valuation of real security, and, in almost every case, a Central Bank should gain practical business experience of a Society before undertaking to grant it long-term loans.

5. Above all, it must be remembered that there is but one safe rule which can be laid down and universally applied by Banks and Societies, and that is " Lend no money about the recovery of which there is room for doubt."

Maulvi Choin-ud-Din said that he found that a small original loan from a money-lender had become very large and that as soon as co-operative societies were formed the Mahajans went to court and it became necessary to settle with them at once and finally also with the landlords. Tenants had occupancy rights, but they were not transferable, and the joint and several liability of a number of cultivators who were unable to alienate their tenancy was not really good security. In Mymensingh, therefore, he said, it would be necessary to give tenants a transferable right.

The President remarked that in view of the recent date at which the new Act had been passed he thought the proposal for fresh legislation was premature, though it was quite right to discuss it. He did not think it was necessary for the conference to lay down any general ruling. There was of course the further question whether old debts should be repaid by means of loans secured on land.

Mr. Crosthwaite said that one solution of the difficulty was in making societies mixed, consisting partly of strong and partly of weak men. His position was that

there was no present necessity for the conferment of transferable rights as far as the Central Provinces were concerned and he asked for no ruling. He said that he would, in fact, be embarrassed if the conference gave a ruling.

The discussion then closed.

III.—(*d*) Limitation of loans.

Mr. Chatterjee read the following note :—

In the new Act, clause (*o*) of section 43 (2) empowers the Local Government to make rules regarding the amount which may be lent to an individual member. I should like to have the opinion of the Conference whether such a rule is desirable in the present stage of the movement in the case of rural unlimited liability societies. In the United Provinces the members of a rural society are composed mainly of cultivators withiout any transferable tenant-right and of a few small landholders. The latter have good security to offer for loans contracted in the open market and can consequently obtain such loans at rates of interest, lower than the society can afford. But they do not get instalment terms and the many other advantages that a co-operative society offers; it is therefore to their interest to join a society. Experience, however, shows that such men being of a superior status to the rest of the members get elected to the committee and in a weak or new society which has not yet learned to exercise sufficient control over the committe a large portion of the capital raised by the society is apportioned amongst the members of the committee. Only a comparatively small sum is left for the poorer members of the society and all their needs cannot be met in full. Moreover the system tends to discourage the poorer cultivators from joining a society because they are afraid of the risk of joint and unlimited liability for large loans taken by the richer members. The former difficulty can of course be overcome. The richer members will have a good "normal credit" and the central society or financing institution will raise the normal credit of the society accordingly and not much harm will be done if the loan to a rich member does not exceed his normal credit. But as such men can also borrow on perhaps easier rates from professional money-lenders they are not as punctual in repayments as the poorer members. If one or two of these big men default, the society is in its turn compelled to default to the financing institution and the latter rightly refuses further accommodation. The small men then suffer. Their only remedy is by ruinous litigation against the defaulters. The limitation of the amount of loan that can be issued to an individual member will minimise the number of such incidents. But it will prove an effectual bar against the admission of men of superior status to rural societies. I am personally inclined to the opinion that it is very desirable to have men of good status and education in rural societies in order to create confidence on the part of the financing body and of the outside public. If such men are included all their needs should be met. The limitation of the amount of a loan might also affect the liquidation of old debts because *mahajans* as a rule refuse to accept payment in instalments. It will also be far from easy to formulate a principle according to which loans should be limited even if the Local Government does not fix the amount but delegates power to the Registrar to settle it in the case of each particular society. The present difficulties will probably disappear as societies are better educated and are capable of real independent management. Meanwhile the Registrar and his staff will have to be on the watch that committees of rural societies do not abuse their position.

Mr. Chatterjee further shortly explained his proposal and said that he only wanted to know if there was any need in other provinces for limitation of loans to individual members of societies. Personally he thought that no rules were required.

Mr. Mitra remarked that no rules were necessary in Bengal though the difficulty did exist.

Mr. Narayanayangar explained the position in Mysore, where loans to individuals above a fixed limit are only sanctioned by the Registrar. Such an arrangement is no doubt only possible where the number of societies were few as in Mysore, but the system worked well and the limit above which the sanction of the Registrar was required, was gradually raised.

Mr. Ewbank said that in Bombay they had adopted a bye-law that no one should get more than Rs. 500 because it had been found that in some societies which were practically run by one or two individuals, the capital raised which was furnished by Government, was at once annexed by the two or three strong men and the working of the society practically stopped until it was wound up after a third or fourth inspection.

Mr. Mitra said that in Bengal the annual general meeting of the society fixed the amount of the maximum loan to an individual.

Mr. Swamikannu Pillai said that in Madras the limit was fixed in the bye-laws. The limits were usually Rs. 200 for the smaller rural societies and Rs. 500 for the larger societies with a few going up to Rs. 1,000. It was left to the society to fix and not to the Registrar. It was, however, evaded in some instances as the same person obtained several loans through his relations.

Mr. Nanavati said that in Baroda they had fixed a limit of $\frac{1}{6}$th or $\frac{1}{8}$th of the total working capital for individual loans provided there were surplus funds. There were not different rates of interest for the larger loans. The maximum to be borrowed was fixed at the outset when a society was formed.

The President said that the view of the Conference was that if there were a limit, the society should make it, but there was the further question, should there be a limit at all ?

Mr. Chatterjee pointed out that there was a difficulty in a limit in an artisans' society because the amount might rise from year to year as the working of artisans became more successful.

Mr. Langley pointed out that the proposal referred only to urban societies.

Mr. Mitra said that in Bengal the limit was fixed annually.

Kanwar Maharaj Singh said that if one man runs a society, it was best to turn him out as otherwise there would be no co-operation. His personal experience was that the more even as regards strength or weakness were the members of a society, the better the society was run.

The opinion of the Conference was that it would be a good thing to encourage societies to fix an annual limit for themselves.

III.—(*e*) Reserve Fund.*

Mr. Ewbank introduced the subject, and said that in Bombay it had been proposed to pass a rule that societies should invest their reserve funds outside their own business, but Sir Vithaldas Thackersey said that it could not at present be done because the societies could not obtain on their reserve fund such good interest in outside concerns as by using it in the business of the society. No conclusion was in consequence arrived at.

Mr. Chatterjee said that in the United Provinces it was the custom to compel societies to buy shares in the financing body.

Mr. Mitra thought the reserve fund should be kept in a form readily available.

Mr. Chatterjee remarked that the reserve was still so small that it did not really matter whether it was kept available or not.

Mr. Mackenna said that in Burma the habit was that $\frac{1}{4}$th of the reserve fund was invested in the savings bank account of the Central Bank of Mandalay and $\frac{3}{4}$th was put into the business of the society. The reserve fund of the Central Bank was invested in Government security.

Mr. Langley remarked that if $\frac{1}{4}$th were put in the Savings Bank, the money was not really in reserve.

The Conference was of opinion that there was nothing at present to add to the previous discussions of the matter.

III—(*f*) Minor heirs.

Mr. Crosthwaite said that he did not know what the position of the minor heir was under the new Act. He quoted a case from the Central Provinces in

* See also Mr. Kirkpatrick's letter at pages 30-31 below.

which a member of the society died and the mother of the minor heir gave up the tenancy. There was therefore no estate. The security for the loans of the deceased member had disappeared and it was not the practice in the Central Provinces to have any sureties for loans.

Kunwar Maharaj Singh thought there should always be sureties.

Mr. Mitra pointed out that under the new Act a minor can be made a member after registration. The old Act said that no member of a society should be a minor, but the new Act says that at registration none of the applicants should be minor. There was apparently therefore no reason why under the new Act minors should not be made members. It was however undesirable that any minors except heirs of deceased members should be made members.

Rai Bahadur Motilal Chunilal said that he thought minors might be admitted as members with their guardians.

Mr. Chatterjee thought that it was not fair to ordinary heirs to make them members because they were thereby rendered responsible for all debts of the other members although they were not able to realise the responsibility.

B. Radha Mohan saw no reason why they should not be admitted through guardians in the same way as they are represented in legal proceedings.

Mr. Mackenna supposed that the discussion referred only to Raiffeissen societies. In Burma the rules were different for societies of the Raiffeissen and Luzzatti types. In the first the membership was terminated and money duly paid. In the Luzzatti type minors were admitted as members at their option and are entitled to some payment if they do not become members.

The Conference considered that minors should not necessarily be debarred from becoming members of societies when they were heirs of deceased members.

IV.—(1) Clerks Societies.

Mr. Chatterjee then read the following paper :—

We have not been fortunate with societies for clerks in the United Provinces. They are usually on a limited liability basis and defaults are very common. Financing societies are therefore reluctant to lend them large sums. The reasons for default usually are the following : —

(*a*) A clerk lives in a better style than a cultivator or artisan of the same means and his social expenses are much heavier. He has also a larger family to support in the shape of poor and indigent relatives, mostly women, who cannot owing to their station in life earn their own livelihood.

(*b*) As a consequence a clerk is usually heavily indebted when he enters a society. He is very unwilling to disclose the total amount of his debt for fear that it will lower him in the estimation of his fellows or that it may lead to his removal from employment.

(*c*) He can repay debts only from his salary. As a rule like most men with fixed incomes he lives up to his salary. So when he has an unexpected expenditure such as that caused by a death or sickness in the family, he defaults in payment of the dues of the society.

(*d*) The committee being recruited from the same class do not care to be thought inquisitorial and do not make sufficient inquiries at the time of election or when giving out loans.

(*e*) If a clerk dies or is transferred it becomes practically impossible to realise loans due from him.

In view of these difficulties my predecessor, Mr. Fremantle, framed model by-laws for co-operative provident fund societies for clerks, the rules regarding loans and rates of interest (paid by the financing society) being much more liberal

than those of the Government Provident Fund. No society of this type has however yet been formed because clerks do not like the rule that loans must not exceed the amount held in deposit to the credit of the member. I shall be glad to know the experience of other Registrars with regard to clerks' societies.

Mr. Chatterjee added that in the United Provinces most of the societies had hitherto been failures, and he said that they would remain so unless combined with a provident fund and the limitation of loans to the amount outstanding at credit in the provident fund.

Mr. Langley said that in the Punjab they had only one large society, but he would introduce Mr. Johnstone who had considerable experience in running a society which consisted chiefly of clerks in Simla.

Mr. Hammond said that in Bihar and Orissa they had five or six societies one of which was very successful. A former Collector had induced every clerk to join and take a share. Loans were limited to 10 times the value of the share or shares held by a member. Everyone was encouraged to deposit and the importance of obtaining the help of the head of the office was illustrated by a system, of "Treasury slips." Anyone taking a loan or wishing to make a deposit of a fixed amount per mensem signed a slip which authorised the Treasurer to deduct so much monthly from the clerk's pay before it was disbursed and the Treasurer made the amounts so deducted over to the officials of the society. Difficulties did, however, arise from the fact that the members of the society and the officials of the society were all found from the same class. The society lent out at 12 per cent. and allowed 6 per cent. interest on deposits. It was important that the Collector or the head of the office should confine his interest to inducing persons to join and authorising the use of treasury slips and that he should not attempt to superintend the working of the society in any way. He remembered asking one Collector who had organised a society whether he found difficulty in recovering instalments of loans. He sent for the register and finding some of the clerks in arrears said to the clerk who was an officer of the society "what did I tell you about promoting those members who do not pay back their loans?" Such interference and superintendence as is exemplified by this story, can of course only do harm. Clerks do not like close scrutiny of their superior officials in their private affairs and the register of members' deposits is of course a confidential register which should be open to none but members of the society. It might be embarrassing to a clerk to find that he had deposited Rs. 100 or Rs. 150 at a time when a case was proceeding with which he was officially connected. He thought, however, that societies should be successful, provided the head of the office took an interest in the matter and induced every one to join, but did not interfere with the subsequent management.

Mr. Chatterjee said that their difficulty was that one Collector would take an interest and start a society, but if the next man took less interest, the efficiency of the society deteriorated.

Mr. Mitra said that in Bengal where societies had been very successful the standard of punctuality in repayment was better with clerks than with ordinary societies, members were confined to one office and the Collector did not as a rule interfere with the management. There were also many such societies among the employees of mercantile firms and these were very successful too. The heads of the firms did not attempt to scrutinise the books of the society. The societies were both for borrowing and for saving.

Kanwar Maharaj Singh said he saw no reason why these societies should not be successful. If a clerk was transferred to another district, he could be made to leave the society and repay his loan though of course there was the difficulty that if the clerk were prosecuted for not repaying a loan he might lose his appointment.

Babu Radha Mohan said that one difficulty which they had experienced was illustrated by a case in which a District Magistrate ordered the Treasurer to

deduct the amount due to the society from the pay of a deceased member. Unfortunately these papers were lost. Afterwards the widow asked for the full pay due to her husband and owing to the papers having been lost the matter could only be settled by the Bank's offering to refund the money.

Mr. Johnstone of the Simla Society then said that some years ago, a society had been formed out of the 19 Government of India Secretariats. It had not been successful and the members tried to get behind the rules. The difficulty was that the head of the ministerial staff did not as a rule join and the gazetted staff did not as a rule join. Any Government servant was permitted to join. Altogether they had 144 members who are now resident all over India but still remain members. A new rule now exists that if they leave Simla, they are required to resign and are paid the par value of their shares. Altogether 90 loans are outstanding and there are 70 defaulters scattered all over the country. The society was intended to enable members to save. Loans were given at a lower rate of interest than could be obtained privately. The reason why Registrars did not join the society was not because they did not want loans but because they did not want the state of their affairs to become known to members of the establishments under them. Liability was limited.

Mr. Langley thought that one reason of their difficulties was that members were too scattered.

Mr. Johnstone added that at first loans were limited to ten times the value of the share held, up to a maximum of Rs. 300 but the limit was now that of the value of the share held plus half their pay. If they require a larger loan, they had to provide security.

M. Choin-ud-Din asked whether it was permissible for the Collector to compel clerks to make compulsory deposits by regular deductions from their pay.

The Rev. E. M. Wheeler said that Bengal did not want compulsory deposits.

Mr. Ewbank pointed out a difficulty under the Government Servants' Conduct Rules whereby one non-gazetted officer was forbidden to go surety for another non-gazetted officer.

Mr. Motilal Chunilal said that their rule was that no loan might be given which was more than 3 months' pay and that a loan had to be repaid at the rate of 25 per cent. of pay. The largest loan would therefore be repaid within a year.

Mr. Nanavati said that they had one society in Baroda of 175 members. There had been no default. Loans were limited to 6 months' pay repayable in $2\frac{1}{2}$ years. Repayment was very regular. One clerks' society which had just been registered has been working for 18 years and had been very satisfactory. The reason might be that they have two classes of clerks, one of which is very thrifty, while the other consists generally of borrowers.

Kunwar Maharaj Singh said that the control of the Collector was permissible and should be permitted. It was necessary to insist on fairly substantial security. If a clerk left the district a slip might be sent after him to the Collector of the district in which he was then serving, but he realised that the matter was not then so easy and led to a considerable amount of correspondence. He said that compulsory deposits had not been found necessary.

The discussion then closed.

IV (2) *A.*—Weavers' Societies.

Mr. Chatterjee then read his paper on "co-operative societies for weavers and other home industries." He said:—

The number of credit societies for these classes shows a steady and gratifying increase in this province. The societies are, as a rule, doing well, but they require much attention from honorary organisers or from the salaried staff. The chief difficulty lies in fixing a normal credit for the individual members and eventually for the society. The members have, as a rule, very little immovable property and their implements of trade are often of no value. The stock in trade is constantly

fluctuating. At the same time members require large advances for the purchase of raw materials and it will be a mistake on the part of the society not to let the members sell in the best market possible. The members are all busy men and have to spend most of their time in their homes and shops and consequently cannot keep a continuous watch on each other. So far not many instances of fraud or dishonesty have occurred, but members as well as the financing society are always apprehensive. As a result sometimes there is a tendency to exclude the poor member of the trade, in other words the man who will most benefit by the society. Financing societies also find that the demands of the small society are always on an upward grade. This is no doubt in a way a good sign. Owing to cheaper and easier credit members increase their business rapidly and require larger loans. The financing society has, however, no means of testing this definitely and sometimes it refuses a loan just when the small society is most in need of it. I shall be glad to hear the experience of other Registrars in this matter.

We are moving very tentatively in the matter of joint purchase and sale. Our experience with the Benares Silk Weavers' Association has not been happy, although I think that is because the association started with the impossible determination not to take or give interest on borrowed money. Joint purchase and sale demand a much greater business capacity than the pooling of the credit of the members. Without some education on the part of the members and ability to follow the trend of the wholesale markets it is difficult to buy raw materials at a profit. In joint sale, specially where the articles are not of a uniform standard, internal jealousy and dissensions are apt to break out. We are already experimenting with a yarn society and a dairy society. In some cases members of our societies are combining privately for the purposes of joint sale and purchase. It is hoped that in a year or two more definite experience will be gained in this direction and work will proceed faster.

Mr. Chatterjee added in answer to enquiries whether the Registrar helped societies to dispose of their products, that at first it was not their custom to help societies at all either in buying or selling; there was a yarn store in one town, but for the most part all that was done was to organize credit. The members did, in some instances, in an informal way combine to buy and sell yarn and finished goods. They found some difficulty in fixing the normal credit of each member in a weavers' society and of each society. The members had no solid security except their looms which were of little value.

Mr. Ewbank said that in Bombay there were 17 societies. The difficulty was that they had not sufficient credit and the Local Government had therefore obtained the sanction of the Government of India to give out Government loans to the extent of Rs. 10,000 and this was being done. 25 members in a society would raise between Rs. 3,000 and Rs. 4,000 of their own and Government added an equivalent amount. Rs. 30 per loom per month was then given out which was repayable in 3 months from date. They had combined to buy yarn and they had a Government agent in Bombay who made wholesale purchases for them. They had opened stores for finished products, but had not attempted to organize sales ordinarily, but when the price fell below a certain price for the finished product, for instance 'sarees', the members could bring their finished products to the store which would then advance them up to two-thirds of the value at $9\frac{3}{8}$ per cent. interest, and the products could be redeemed at any time within 6 months, and if not then redeemed the products became the property of the society. They had also organized demonstrations of the improved loom invented by Mr. Chatterton of Madras and of the flying shuttle loom. They had 4 weaving schools also.

Mr. Chatterjee said that their schools had been started 5 years ago, but progress in popularizing the flying shuttle was very slow. He would like to know further about the Government agent for buying yarn.

Mr. Ewbank said that he was a Parsi gentleman who was expert in matters of yarn and charged one per cent. as commission on purchases for the societies and his purchases were checked by the expert in the Government Museum.

Mr. Langley was surprised to hear that 25 weavers could collect among themselves so much as 3 to 4 thousand rupees.

Mr. Crosthwaite observed that in the Central Provinces the artisans' societies borrowed from the central banks and that no difficulty was experienced.

Mr. Chatterjee remarked that the objection was that central banks frequently had no men who knew anything about the work of the artisans' societies and were unable to control them.

Mr. Crosthwaite replied that in the Central Provinces there were two or three directors of central banks who understood weaving and were in charge of the weaving societies.

Mr. Chatterjee said that in the United Provinces their difficulty was that there were so many kinds of artisans' societies that it was difficult to have all of them represented on the management of the central bank.

Mr. Mackenna said that in Burma they had decided to place an Indian Civilian on special duty for a considerable period to investigate native industries, particularly with a view to ascertaining their seasonal requirements of funds and that they were not attempting to organize industrial societies until they had completed their industrial survey. He suggested that some of the difficulties experienced in India might have been obviated if they had had an industrial survey before starting industrial societies.

Mr. Crosthwaite said that in the Central Provinces it had been proposed to place under the control of the Registrar of co-operative societies one or more assistants especially appointed to organize and assist industrial societies.

The discussion then closed.

IV (2) *B.*—Ratio between working capital and share capital *plus* reserve fund.

Mr. Ewbank introduced this subject. He gave the instance of a society where the share capital plus the reserve fund amounted to Rs. 14,000, but 2½ lakhs had been lent out in the district. Two years of famine and scarcity followed and the amounts due were not recovered. The depositors clamoured for their money and the Bank was only saved by juggling with Central Banks' funds. He asked if the Conference were of opinion that it would be advisable to lay down some relation between share capital and reserve and the amounts of loans and deposits.

Mr. Mitra said he thought that the amount of working capital was generally limited to ten times the share capital and reserve.

Mr. Nanavati was of opinion that it was more important to keep assets in an easily realisable form against deposits and if this were done, the relation between share capital and loans did not matter. In America the percentage required was 20 in share banks, and the banks of course got interest on the amounts so held in easily realisable security.

Mr. Chatterjee said that in the United Provinces the custom was to fix at the annual meeting the liability for that year of the Bank, and this required the Registrar's sanction, but the custom was to limit deposits to ten times the total value of share capital plus reserve fund.

Mr. Swamikannu Pillai observed that the ten per cent. rule was also followed in Madras.

The President observed that it appeared *that as a general rule societies with limited liability other than central banks limited their working capital to 10 times the value of share capital plus reserve fund.*

Mr. Crosthwaite observed that he would *object to limiting the working capital of central banks because their credit depended not on the value of their share capital and the reserve fund but on the unlimited liability of the societies which they financed.*

This was agreed to.

SUBJECT V (1).—PROVINCIAL CO-OPERATIVE BANKS IN BOMBAY AND THE CENTRAL PROVINCES.

Mr. Ewbank and Mr. Crosthwaite shortly explained their working.

The following note communicated by Mr. Moti Chand was recorded:—

That Provincial Banks, if properly carried on, afford great facilities to the co-operative movement cannot be gainsaid. There is, I am told, such a Bank in existence in the Presidency of Bombay and detailed information about its working, etc., will be welcome. So far as I have been able to ascertain about it, I think its constitution is rather defective, because societies are not given shares and can get no dividends. Is it a purely co-operative concern, I wonder ? To all appearances it is a joint stock company, acting under the name and style of a co-operative bank and no permanent benefit either financial or moral can, I fear, accrue from it to those whom it is the object of the co-operative movement to educate and relieve. A provincial bank should, in my opinion, be formed on the basis of shares subscribed by registered societies alone and make advances only to such societies as are its shareholders, in fair proportion to the amount of their capital. If this is not done, the co-operative element in it ceases to exist and it should not be registered as such.

With regard to the proposed provincial bank for the Central Provinces the monopoly offered to the Allahabad Bank for the supply of capital seems to me undesirable and unfair to other capitalists. Because if this Bank is a success money will flow from all quarters and the co-operative bank will get an ample field to exercise its functions in and secure the best and cheapest terms. To deny it this great advantage by tying it to the tail of one great concern seems to me unfair to the movement itself. We should court and stimulate competition and the sooner we do away with this or any other monopolizing restrictions, the better for the aims of the movement.

Mr. Crosthwaite contested the views put forward in the above note and denied that the Allahabad Bank had the monopoly for the supply of capital to the Central Provinces Provincial Bank.

The President said that he understood from Mr. Ewbank's account that the greater part of the operations of the Bombay Provincial Bank were confined to the areas commanded by the Nira Canal and that they had not hitherto had the effect of unduly increasing the number of ordinary rural co-operative societies.

Mr. Crosthwaite in reply to a query said that he did not find that the Provincial Bank stifled local effort. The reason was that societies could get local deposits at 6% whereas the Provincial Bank asked 7% and societies therefore preferred to get their money locally. Central banks gave 6% to depositors but could not afford to give more in order to attract deposits. The Provincial Bank had opened cash credits with the 22 existing central banks, shortly to be increased to 25. The amount of the cash credit of each central bank was fixed on general knowledge of the standing and working of the central banks and was not based on solid security. They preferred to proceed on lines of indefinite general security.

Mr. Mackenna remarked that the Mandalay Bank was practically a Provincial Bank but being modest in Burma they called it only a central bank but he supposed that the central banks referred to by other members were what they in Burma would call district banks. Every society dealing with the Mandalay Central Bank was required to take a share in the central bank.

Mr. Crosthwaite said that the individual limit of shares in the Central Provinces Provincial bank was one lakh and there was a reserve liability which might be called up half at 3 months' notice and the next half at another three months' notice.

The Rev. E. M. Wheeler asked whether in the Central Provinces the central banks were first founded and then left to organise sub-societies, or whether the subordinate societies were first organised and then a central bank formed to finance them ?

Mr. Crosthwaite said that the subordinate societies were organised by members of the central banks with the help of the Registrar. The central bank was organised first by the Registrar and the bank was then left to organise societies.

Messrs. Mackenna and Langley said that in the Punjab and Burma the central banks did nothing in the way of organising or forming societies. Their subordinate societies were organised first and the central bank was little more than co-operation of the credit of the individual societies.

Mr. Chatterjee said that in the United Provinces they had first started central banks and left them to start societies but they found that in order to utilise their surplus funds the central banks were inclined to organise unsound societies. The practice now was to organise societies first.

Mr. Mitra said that in Bengal the practice at the commencement was the same as in Burma, but that after the central bank had been founded, it was left to organise further societies.

The discussion then closed.

SUBJECT V (2) (*i*).—CENTRAL BANK MEMBERSHIP.

Mr. Crosthwaite stated the case. He said, "there are two types of central banks. The first type is composed of individuals only. The second type is composed of individuals and co-operative societies admitted to membership. Which type does the Conference favour, and why ?" His personal view was that it was better to let societies be members and if it were found that the members of societies being less educated tended to swamp the educated opinion on the central bank management, it was the individual societies who would lose and the risk must be taken.

The Rev. E. M. Wheeler said that the Bengal opinion agreed with Mr. Crosthwaite.

Mr. Chatterjee said that he found that members of societies were, as a rule, more truly co-operative than the members of the central banks. It was, therefore, better he thought not to have individual members.

Mr. Mackenna said that in Burma it was the practice for the greater part of the shares in the central banks to be held by societies. In one Bank 1,300 shares were held by individual members and 2,700 by societies.

The view of the Conference was that membership should not be confined to individuals.

SUBJECT V (2) (*ii*).—SOME DIFFICULTIES IN ORGANISING CENTRAL SOCIETIES.

Mr. Chatterjee introduced the subject and said :—

I should begin by stating that I refer here only to central societies in the interior of a district. In the United Provinces we have not yet tried to form pure unions without a banking department as an adjunct. With the increase of work in districts which possess central societies at the headquarters town, it becomes necessary to decentralise the duties of financing and supervision. Similarly in districts where work is being newly developed the policy now followed is to start small central societies with a limited area of operations and ultimately to establish a large bank at the district town. These small central societies are either central banking unions or central banks (with a limited number of individual shareholders besides societies as members). Apart from the difficulty of securing suitable persons to form a committee the obstacles usually met with are the following :—

(*a*) *Custody of money.*—Even where the central society arranges for a cash credit with the district bank it has occasionally, especially in the busy seasons, large cash balances. The chairman of the committee, unless he is a big landholder, and other members are extremely unwilling to take charge of the money for fear of loss by fire, theft or burglary. The Local Government generally permits a safe to be kept at a sub-treasury, but central societies are now being established in many places where there is no sub-treasury. The Local Government does

not approve of safes being kept in police stations. Actual loss by fire and theft has already occurred in a few instances. The societies, as a rule, cannot afford an armed guard.

(*b*) *Remittances.*—Some of these societies are situated twenty to thirty miles by road from the district town or the nearest railway station. Remittances through the treasury are inconvenient and take time. The post office is dilatory as well as expensive. We find the members very reluctant to carry large sums of money to and from the district town. They are afraid of theft on the way, specially as the transactions of a co-operative bank are done openly and everyone in the neighbourhood gets to know when money is likely to be transmitted. Moreover, these remittances generally take place in the busiest agricultural seasons and members can ill spare the time. Salaried clerks and supervisors cannot be entrusted with the work because as a rule their securities are small. If a large security is demanded it is difficult to get a man with proper qualifications on a moderate salary.

(*c*) *Rate of interest.*—The district bank cannot yet afford to lend to small central societies at rates lower than 9 or 10 per cent. The rural society cannot afford to pay more than 12 per cent. The intermediate central society has therefore a margin of only 2 or 3 per cent. Even where it has a cash credit and does not suffer from idle money, the small central society finds it difficult to keep a salaried staff and also build up a reserve fund of its own. Experience tells us that a salaried staff is indispensable specially at the beginning, while an adequate reserve fund is equally important.

A solution of difficulties (*a*) and (*c*) will be the formation of unions without a banking department, but the problem of remittances will then be even more acute. Moreover, the district bank may not accept the recommendations of a union unless the latter has a financial status.

B. Radha Mohan added two other difficulties. He said that in central banks there were good men but not in village banks where the education was less advanced, but the security of the former was limited, whereas in the latter case it was unlimited. It was therefore a disadvantage to central banks. In certain districts he said there are central banks in parts of districts which have a district bank for the whole district above them and village banks below them. The difficulty as regards the rate of interest to be paid was then intensified. In other districts there were district banks only and no intermediate central banks.

Mr. Chatterjee explained that the central banks in the United Provinces were really central banking unions. He said that it was necessary to have the intermediate link of these central banking unions between the district banks and the village banks. He found that branches were not satisfactory because they did not realise their responsibility and were apt to restrict the central management and in other cases a powerful branch swamped the central management.

Mr. Mitra said he thought that it would be better to have unions on the Burma model and added that Bengal was starting them.

Mr. Mackenna in reply to a query said that the liability of unions was limited.

Mr. Ewbank mentioned that in Bombay Government had secured a concession whereby Government refunded to societies three-fourths of the cost of remittal of money by postal orders.

The President remarked that the question of remittances would be discussed later and that no general rule seemed possible as regards the rate of interest. There remained the difficulty about the custody of money, and he asked if the same difficulty was experienced elsewhere as in the United Provinces.

The Rev. E. M. Wheeler said that it was better not to have a central bank situated in a place where there was no treasury.

Mr. Mackenna said that a safe was the only alternative.

Mr. Mitra said that one central bank in Bengal maintained an armed guard, and Mr. Langley stated that in certain circumstances police stations were in the Punjab allowed to take custody of the balances of societies.

The opinion of the Conference was that societies must make their own arrangements for custody of money.

V (2) (*iii*).—Limitation of dividends.

The subject of the limitation of dividends in the case of central banks and other share societies was introduced by Mr. Chatterjee. He said:—

In the United Provinces it is at present the practice to limit the rate of dividend by a bye-law of the society. The question is whether this should be done by a rule of the Local Government under clause (*r*) of section 43 (2) of the Act. Co-operators are agreed that in all societies the aim should be to keep the dividend as low as possible in order that the reserve fund may be strengthened and the service to the borrowing member may be made cheaper. There is the further danger to be guarded against, where dividends are not limited, that the share holders out of a desire for enhanced profits may invest a larger sum in loans than is necessary. Such a course will be seriously detrimental to the true interests of the borrowers. So far as rural societies (with share capital) are concerned there is practically nothing to be said on the other side, and I think it is very desirable that the maximum rate of dividend should from time to time be fixed by a rule of the Local Government. With regard to central or urban societies the question is a little more difficult. In urban societies with unlimited liability there is undoubtedly considerable risk, especially at the beginning as members have not such an intimate knowledge of each other as in a village. In central societies (which lend only to registered societies) we have in many cases some individual members besides the component societies. The prosperity of the central society depends on the prosperity of the individual societies. It may be argued that as the bulk of the dividend will go to the individual societies there is no necessity to limit the dividend. But it may happen that some of the component societies are badly managed and fail. In such a contingency it is very necessary that the central society should be able to meet losses from its accumulated reserve fund. Where there is a fairly large number of individual members a spirit of commercialism sooner or later makes its appearance; it becomes difficult to check un-co-operative practices like the transfer of shares at a premium. If the maximum rate be fixed only by a bye-law of the society, there is always a tendency to raise it, especially if the reserve fund is declared indivisible either by rule or by bye-law. I think it is desirable that the Registrar should interfere as little as possible with well established central societies where the directors are men of position and education. I am therefore of the opinion that it is better in the case of such societies also to limit the maximum rate of dividend by a Government rule.

Mr. Mitra said that in Bengal dividends were limitep by the rules.

Mr. Crosthwaite asked why they should not be limited in the bye-laws.

Mr. Chatterjee said he thought it was better to have a rule laid down by the Local Government for all central banks because in the case of powerful central banks it was not always easy to persuade the management to adopt a limit.

The opinion of the Conference was that dividends should be limited by rule of the Local Government, as the hands of the Registrar were thereby strengthened.

V (3). Liability of Unions.

Mr. Langley introduced the subject and asked, "Is it necessary or desirable that the liability of members in the case of unions should be limited?"

The President remarked that the provision in the Act was put in at the suggestion of a well-known European authority who declared that unlimited liability in such cases was 'unthinkable'.

The Rev. E. M. Wheeler remarked that a village society was not comparable to a union. In a society the members knew one another, but the same not was the case in a union where one village collectively did not know all the other villages collectively.

Mr. Langley said that if the members of a union did not know a village they would not accept it in the union.

Mr. Mitra said he thought it was unsafe to have unions with unlimited liability because one village could not control another, and even if they thought they could, they should be protected from the results of their ignorance and that the provision of the Bill was very sound.

Mr. Swamikannu Pillai said that when he took over charge of the registrarship he found three unions with unlimited liability and he was very glad of the provision of the new Act which made it illegal. He pointed out that the credit of the central bank was based on the unlimited liability of the societies which made up the central bank.

Mr. Crosthwaite said that he had had to wind up 4 such societies because when they realised the effect of joint unlimited security they were no longer agreeable to accept it.

The Rev. E. M. Wheeler thought that it would be impossible to get people to join if the liability of the central bank was to be unlimited.

Mr. Langley pointed out that in the Punjab there were 14 such central societies with 500 societies under them.

Mr. Mackenna said that the unions in Burma were merely inspecting agencies, the liability of an affiliated unit being limited at any time to the extent of a sum equal to, but not exceeding, the maximum amount of loans from non-members that it has held during the year immediately preceding that time.

The President explained that the Punjab Government had issued a notification allowing central societies with unlimited liability, that the Government of India had asked for the reason for this and that the Punjab Government in reply had suggested that the matter should be laid before this Conference.

The opinion af the Conference was that the liability of members of unions should be limited.

VI.—Remittance Transfer Receipts.

The President in introducing Subject VI said the matter was a small one, but Government were desirous of restricting to a minimum the use of Remittance Transfer Receipts and desired to ascertain whether it would be necessary to continue them for co-operative societies. The first question was whether the system should be continued at all.

Mr. Mitra said that they were not used in Bengal. All transmission of money was by postal order.

Messrs. Mackenna and Crosthwaite said that they could not possibly do without the concession. Mr. Crosthwaite added that cases existed where there was a sub-treasury but no post office.

Mr. Ewbank said that central banks could do without the concession, but that it was necessary for village banks and useful for all.

Mr. Mackenna said that he would like Remittance Transfer Receipts extended to sub-treasuries.

Mr. Ewbank said that he believed that Remittance Transfer Receipts could be converted into cash orders in the treasury of payment.

The Conference were strongly of opinion that the concession should be maintained.

The President said that the second matter was whether the minimum should be raised from Rs. 150 to Rs. 600. The minimum limit of 150 was originally fixed when the maximum limit for postal orders was 150. The limit for postal orders had now been raised to 600, and the question was whether the minimum limit of Remittance Transfer Receipts should now be altered from 150 to 600.

The meeting agreed to the raising of the limit.

The President then asked whether the system was required in the case also of non-credit societies.

Mr. Chatterjee thought it ought to be extended, and said that urban societies in particular were frequently no less poor than rural societies, and that non-credit societies were mostly poor.

Mr. Swamikannu Pillai said that owing to an oversight all societies in Madras already enjoyed the concession, and when he realized that it really extended only to non-credit societies he had naturally taken no action.

It was decided that although the concession might not be required in the case of all non-credit societies there were still a large number of poor societies of that class which did require it.

SECOND DAY.

The Conference reopened at 10-30 on the morning of the 30th October 1912.

The President read a letter from Sir James Wilson, K.C.S.I., I.C.S., in which he referred to the practice in Germany of placing in the houses of members saving boxes into which they could drop odd coins but which could not be opened without the fact being evident thus forcing the saver to confess to himself and the secretary of the society that he had yielded to temptation. The custom when the box was full, was to take it to the secretary of the society who opened it and credited the member in the books of the society with the amount saved, and then reclosed the box by a mechanical device. If the boxes were ordered in sufficient quantities they cost about $2\frac{1}{2}d.$ each.

The President then asked Mr. Langley to read a letter which had been forwarded from Mr. Kirkpatrick of Messrs. Bird & Co. in Calcutta. The letter was received with general approval and brought on to the proceedings.

Letter from Mr. W. Kirkpatrick, dated 16th October 1912.

I notice one of the papers on your programme is on " The difficulty of limiting the ratio between the total working capital and the share capital plus reserve fund. " I am extremely interested in this co-operative credit societies movement and would much like to see what your Conference have to say on the above paper. I started an "office " society for our clerical (Indian) staff 3 to 4 years ago. We have about 200 members—all the capital (Rs. 6,000) subscribed for by members—and my idea is to go on building up a reserve fund without any reference to any ratios, the bigger I can make the reserve fund the better. I maintain a reserve fund in a co-operative credit society can never be inflated—but there is a question which so long as we have Government control might usefully be made a sort of general principle, or guide for model rules, I refer to the utilisation of reserve funds and it is here where a question of ratio comes in, and what if any proportion of a society's reserve fund should be separately invested. Mr. Buchan, lately Registrar, Bengal, used to say that " when the profits of a society became large enough to perform the functions of a reserve fund it should certainly be invested." I hold that the functions of a reserve fund start from the *very day* the first compulsory 25 per cent. of profits is credited to reserve fund account—it is in fact part of the working capital and as your reserve fund increases your liquid finance increases. My own opinion is that an amount equal at least to 5 per cent. of the working capital might be—should be—kept separate and invested in gilt-edged securities.

See 4 Bengal Provincial Co-operative Credit Societies' Conference.

This by way of an "earnest" showing recognition of Government control if for no other purpose! The rest of your reserve fund would remain in and be part of your working capital. It may very easily in course of time (as is the case in many leading banks!) exceed the amount of the share capital. My compulsory 5% invested in liquid approved securities would not preclude a society from utilising its surplus funds in investments outside its ordinary loans to members—although in this case I think there would need to be an approved list of investments. While these investments would not be earmarked as "reserve fund" they *would* actually be part of it and always be available to meet any "special demand." I mention this because at the last Provincial Conference here Mr. J. A. Stevens, as President of the Custom House employees' co-operative society, enquired whether it would not be necessary to place some limit on the growth of the reserve fund. He thought if his society continued at its present rate it would soon accumulate a large reserve fund and he saw no reason why it should be compelled to place 25% of its profits to reserve fund. I mention this to show there is some want of appreciation of this Government regulation insisting upon 25% of profits being "reserved". I cannot too strongly support this regulation, the whole future and structure particularly of urban co-operative credit societies depends on Government keeping a very close watch (*a*) on reserve fund, (*b*) on the nature of investments (if any). Some of the societies in the larger cities in India by *reason* of their being associated with businessmen will require some firmness and tact in preventing them losing the altruistic idea altogether; this is what may happen if the "25 per cent. regulation is relaxed or modified in any way. As to the question of the finality of the growth of a reserve fund and the proportion it ought to bear to working capital. I am of opinion there should ordinarily be *no finality*. When in the opinion of members the reserve fund becomes inflated, in other words, produces a sort of financial surfeit in the society's 'cash position' then with the sanction of Government it might be made possible to allow of a distribution of bonus shares. But experience and the exercise of very ordinary financial foresight will enable a society to easily keep its finances in relation to its inflated reserve fund within bounds" by many simple "devices." The rate of interest on loans might be reduced or there might even be *remissions* of interest and so on, in fact there is no limit to the advantages likely to accrue from an "inflated" reserve fund, and consequent surfeit of funds. The automatic building up of this reserve strikes me as being the very basis and *root* of the co-operative credit societies movement from and out of which "grows the tree which bears the fruit."

The President then referred to Subject II and the Resolution thereon taken in the first day's proceedings to the effect that the Conference of Registrars should be held shortly after Christmas. He said that he had since heard that the majority of Registrars would be unable to come to the Conference if held at that time.

M. Fuzlul Huq said that non-officials would not be able to leave in the middle of the cold weather, and remarked that a date about the middle of the Pujas would suit them better.

Mr. Crosthwaite remarked that it would be very inconvenient for the Central Provinces.

Mr. Mackenna said that no Burma man would be able to come if the Conference was held just after Christmas.

The matter being put to the vote, 8 Registrars were in favour of a date in October and 4 were in favour of the date just after Christmas, and it was decided that *the Conference should be held in October.*

The matter of the date by which figures should be sent in to the Government of India was also further discussed.

Mr. Chatterjee objected to the 1st of October as the co-operative year in the United Provinces ended on the 30th June, and it was impossibe to get figures by 1st October.

Mr. Langley remarked that they were in the same position in the Punjab, but he had been able to get his figures in September.

After further discussion it was decided *that the figures should be supplied to the Government of India by 1st October but that a copy of the full report was not required at this date or otherwise than in the ordinary course. All that was necessary, was an advance copy of the figures, and it was not necessary to have audited figures or even corrected proofs. It was of more importance to the Government of India to have early figures which could be corrected later than to have more correct figures at a later date.*

VII.—Liquidation of Societies.

Mr. Hammond presented the following paper on summary procedure for the liquidation of societies by the Registrar :—

The idea of obviating recourse to the civil courts is not new. It was suggested by Mr. Gokhale in 1903 when the Act creating co-operative credit societies was introduced. Sir Denzil Ibbetson declined to countenance any special procedure for the recovery of monies due to a society. He said :—

> " In the second place it has been suggested that a summary procedure for the recovery of debts should be placed at the disposal of these societies. It is true that recovery of debt by civil suit is a tedious process, and that a society of the sort we are considering is perhaps the least fitted of all agencies to conduct such a suit. But it is a serious matter to place our executive machinery at the disposal of a private creditor. And above all, such artificial assistance would discourage the exercise of that vigilance and caution upon which these societies should depend for their security. With the local knowledge which will be at their command, they should, if they conduct their affairs prudently hardly ever need to have recourse to a court. Their strength should be in that knowledge and not in any special process of recovery."

2. Since then the same question has again and again been raised at different conferences. I quote two or three instances :—

A.—At the second conference of Registrars, held in Calcutta in 1907, the Bombay Registrar Mr. Campbell's note on the subject (Appendix 4, pages 26—31) dealt with the principles underlying the grant of special procedure. The Registrars of Bengal, Eastern Bengal, and Madras opposed the proposal because —

(*i*) experience had not shown it to be necessary ;

(*ii*) it was feared that it would lead to less care in management and less scrutiny of the purposes for which money was lent.

The Registrars of Bombay, the United Provinces, the Punjab, and Coorg were in favour of the proposal as being likely to —

(*i*) deter possible defaulters ;

(*ii*) obviate civil litigation ;

(*iii*) improve the credit of rural societies.

Special procedure had been in force in the United Provinces without deleterious effect. This conference recorded no definite finding on the subject.

B.—Similarly at the third conference (held at Simla in 1908) the Committee could not come to any agreement on the question. Mr. Freemantle was inclined to modify his opinion expressed in the previous year and wait for the experience of one or two years to decide the point.

The representatives of the Central Provinces, Bengal (2), and Eastern Bengal were against the proposal, while those of Coorg, Bombay (2), Ajmer, and the Punjab were in favour.

It is of interest to note that Mr. De (Eastern Bengal and Assam) considered that the summary procedure provided by the Public Demands Recovery Act ' was not summary at all,' while recourse to the ordinary civil courts " was equally efficacious and more expeditious."

C.—At the fifth conference held at Allahabad in 1911 Mr. De had apparently changed this view, while the Registrar of the Punjab, Mr. Langley, did not hold the

views of his predecessor Mr. Wilberforce. The Hon'ble Mr. Maclagan, the President, in summing up the discussion held that the majority of provinces did not require a special procedure. If given to co-operative societies it might be difficult to refuse it to other bodies especially other individuals. This objection had been foreseen and answered by Mr. Campbell (paragraph 12, page 28 of proceedings of the second conference).

D.—Similarly at Provincial Conferences the question has been often discussed. In Bengal non-officials have been practically unanimous in asking for a special procedure for the recovery of sums due to a society, while the officials have deprecated the concession of the privilege on the grounds that—

(*i*) it militated against the idea of co-operation;

(*ii*) it was feared that Government interference would tend to "officialise the movement," and make societies depend rather on Government as a collecting agency than on their own efforts.

3. I should have hesitated (after only six months' experience as a Registrar) once more to raise this much debated problem, were it not for the fact that during these six months I have had an illuminating example of the need for some means of recovery other than that afforded by Act II of 1912, which appears to contemplate a summary procedure in the civil court. I have also seen the beneficent results that attend a judicious use of the certificate procedure.

The Sub-Committee appointed in Bengal to consider the draft of Act II of 1912, in dealing with clause 36, sub-clause 2 (*a*) and (*b*), reported that in their opinion—

> "these sub-clauses ought to be so worded as to make it clear that the liquidator can pass orders of execution under sub-clause (5) for the realisation of debts due by members either as principals or sureties and also of the additional contribution they have to make to meet the liabilities of the society, and that it is only against outsiders that he has to institute suits. This would be to the advantage of all concerned, and seems to be the intention of the legislature: but the clauses are capable of a different interpretation."

The President of the Provincial Conference agreed with the Sub-Committee that the intention of the legislature was that debts due by members should be realised in the same manner as additional contributions, and that suits were contemplated only against outsiders. The Conference endorsed the Sub-Committee's report.

4. In 1907, just about the time that Mr. Gourlay stated that "his experience showed that up to the present no special procedure had been found necessary in Bengal, and that the introduction of such a procedure would lead to less care in the management and less scrutiny of the purposes for which money was lent," some 100 societies were started in the district of Hazaribagh at a place called Chitarpur. The honorary organiser displayed more enthusiasm than discretion, and some 50,000 rupees were given out. It was decided three years later that all these societies should be closed, and the final stages of liquidation have been left to one. The matter has been fully reported in the annual reports of Bengal, and I only allude to it here, not to display the wisdom that follows the event, but to demonstrate certain practical difficulties that occurred.

Amongst the members of these societies there were many recalcitrant payers. The assistance of the Deputy Commissioner was sought, and such moral encouragement as he could give in the shape of persuading reluctant debtors into the path of honesty was given. In this district I may mention land cannot be attached and sold for debt. Emigration occurs on a considerable scale to Burma and the Assam tea gardens. Mr. Lister, the Deputy Commissioner, pointed out that it put him in a false position to order any payment which he could not enforce, and it was decided to resort to the alleged summary procedure provided by the amended Act in section 42. Two societies had already been notified as being in liquidation under that section, and the names of twenty-three more were gazetted. Then our legal difficulties began. The liquidator, appointed by the Registrar, was of opinion that he could write a decree against a member of the society for the amount he had received as a loan, and also for his contribution towards other unrealisable

debts due to the society. This view was disputed in the law courts, and I referred the matter to the Legal Remembrancer, whose opinion I give *in extenso*. It illustrates the need, urged by the Bengal Conference of 1911, for a more precise conveyance of the intention of the legislature regarding the procedure to be followed in liquidation :—

> "I do not think section 24 of Act X of 1904 differs materially from section 42 of Act II of 1912, and in my opinion it is not competent for the liquidator to make a decree under section 42 (2) (*b*) for loans given to a member. Such dues do not, in my opinion, come within the purview of 'contributions,' which seems to apply to dues covered by sections 12, 24 and connected sections."

5. This being the view of the Legal Remembrancer it was considered useless to contest the point before the learned Munsiff and the contemplated liquidation proceedings have, therefore, been abandoned. Nor is this all. In two cases previously instituted decrees passed by the liquidator were accepted unchallenged by the Munsiff and admitted for execution. The execution proceedings with the delays caused by contested claim cases, the difficulty even when the various claims advanced had been defeated of realising money by sale of effects, afforded an excellent object-lesson of the problem raised by Mr. Campbell in paragraph 7 of his note to which I have already referred :—

> 7. But who I ask is to be the champion of an experimental society to face the bugbear of civil proceedings as they now are : and weary himself physically and mentally, spend and be spent, in trying to bring a traitor to justice ; not criminal justice unfortunately, but civil ; with the bare possibility that the society will not lose on the whole proceedings ? This is to recompense the altruistic individual for all his trouble ".

Even if the view of our Legal Remembrancer is, as I venture to believe it is, wrong, the task of the amateur liquidator is extremely difficult, when he becomes involved in civil court procedure.

6. It may be of interest if I give the figures of the cost incurred in the case of one of the societies where the liquidator's decree had been accepted and put in execution :—

	Rs.	A.	P.
(1) Costs legally chargeable	27	9	6
(2) Pleader's fees	32	0	0
(3) Cost of taking witnesses on four dates fixed for hearing of claim cases.	76	8	3
(4) Illegal costs charged by suitors and peons	13	11	6
(5) Contingent costs of carrying attached moveable properties of the judgment-debtor to Hazaribagh.	4	8	0
	154	5	3
By sale of all S. D.'s moveable properties	70	0	0
Net loss debited to 'Reserve Fund' of Society	84	5	3

7. Nor is it sufficient, I think, to say that this experience should only serve to emphasize the need for care in the selection of membership and the distribution of loans. If an eminent expert like Mr. Gourlay can be deceived by the exuberant enthusiasm of an inexpert honorary organiser the same may and probably will happen again. At least it may be urged that any steps that might obviate or mitigate the difficulties that attend liquidation (since liquidation is contemplated by the Act, and *all* societies cannot be successful) should be taken even if theoretically they depart from the highest co-operative ideals. Registration of a society should ensure not only expert supervision and audit but should also facilitate the recovery of dues. It should give the assurance to possible depositors from within the society, a class deserving of every encouragement, and to outside financiers that they will, in the case of a registered society, have the assistance of Government, in the shape of the Registrar who registered the society, when and if there is need to wind up the society. It should not be left to them to sue

individual members of the society nor should it be left to an amateur liquidator to attempt to run the gamut of civil court cases, a course difficult enough for the experienced money-lender.

8. What then can Government do towards giving this needful assurance, towards removing the practical difficulties that do exist ?

My suggestion based on an intimate experience of the Public Demands Recovery Act is that the Registrar and the Registrar only should be empowerd by law, when a society has been declared to be under liquidation under section 42 of Act II of 1912, to requisition a certificate from the Collector of the district in which the society was registered.

9. It will be noticed that my proposal is much more limited than those hitherto put forward. The requisition of a certificate is limited first to the Registrar and secondly to societies in liquidation. Thus no power other than that obtainable under the ordinary law is given to the officials of the society, and certainly not to any private individual who had financed the society. The extraordinary procedure is reserved for those societies which had been proved failures, which had fallen short of co-operative ideals. Experience has shewn that the procedure at present provided does not meet the difficulties of liquidation by an amateur. It is of importance that societies which are advertised failures should be wound up as quickly as possible, that dishonest members should be prevented, as far as may be possible, from taking advantage of the unlimited liability of the other members, that those who by their default have closed the society should be made an example unto others. These objects cannot be effected in the civil courts, which afford the dishonest debtor far more scope for dishonest ingenuity than he can hope to get from the certificate procedure.

10. Nor can this fairly be regarded as likely to officialise the movement. That every district officer should take an interest in the co-operative societies in his district is a recognised fact. He is also the proper person to assist the Registrar in closing any abortive efforts. No certificate would be carried without needful preliminary investigation, and all chances of an indiscriminate use of the certificate procedure as an easy method of the collection of the regular dues of a society are removed.

11. It remains for me to deal with the probable objections that may be raised.

First, I would point out that we do not place our executive machinery at the disposal of a private creditor. The Registrar and he alone can invite the use of the certificate procedure.

Secondly, while the fact that in a certain eventuality such procedure may be adopted, may give prospective investors a modified guarantee of safety, the proposed use of the certificate is not on a scale sufficient to impair caution in management. On the contrary, I think that the careless or dishonest Sirpanch will realise that the failure of the society to meet its liabilities will cause him direct and immediate trouble, and that he himself may be the victim of, but cannot victimise others by the artificial assistance given by law.

Thirdly, this procedure, as I have already pointed out, would be quicker than the ordinary civil court procedure. I do not think the statement made by Mr. De that the procedure is neither summary nor effective would carry weight with any one who has had the experience of taking an estate under the Court of Wards. The debts due to the estate previous to the assumption of charge have to be collected by suit in the civil courts. Claims arising after the assumption of charge are collected by certificates. The contrast in efficiency between the two methods of collection I have always found to be very marked.

I give a statement shewing the realisation of taccavi loans in a district that I held. These loans had to be given out in a hurry. They were given on the joint and several security of all the villagers in each village, and to that extent are analogous to loans given to a co-operative society.

—	Balance on 31st March 1908.	Amount advanced in 1908-09.	Total.	Amount collected in 1908-09.	Balance on 31st March 1909.	Number of certificates issued.	Amount recovered under certificate.
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Land Impt.	21,249	2,24,356	2,45,605	4,435	2,41,170	..	..
Agri. ..	1,78,443	9,01,292	10,79,735	28,393	10,51,342	70	8,492

—	Balance on 31st March 1909.	Amount advanced in 1909-10.	Total.	Amount collected in 1909-10.	Balance on 31st March 1910.	Number of certificates.	Amount recovered.
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Land Impt.	2,41,170	80,625	3,21,795	48,959	2,72,836	2	133
Agri. ..	10,51,342	9,53,043	20,04,385	6,63,439	13,40,946	93	11,402

—	Balance on 31st March 1910.	Amount advanced in 1910-11.	Total.	Amount collected in 1910-11.	Balance on 31st March 1911.	Number of certificates.	Amount recovered.
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Land Impt.	2,72,836	5,000	2,77,836	63,071	2,14,765	79	2,195
Agri. ..	13,40,946	,,	13,40,946	6,35,864	7,05,082	80	2,007

—	Balance on 31st March 1911.	Amount advanced in 1911-12.	Total.	Amount collected in 1911-12.	Balance.	Number of certificates.	Amount recovered.
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs
Land Impt.	2,14,765	600	2,15,365	50,394	1,64,971	..	..
Agri. ..	7,05,082	,,	7,05,082	5,32,463	1,72,619	20	2,329

Had we been compelled to resort to the Civil Courts for collection I have no hesitation in saying that a good third of the amount advanced would now be outstanding. The certificate procedure was used as sparingly as possible as an object-lesson to prove that those who could pay must pay. In very few cases was it necessary to touch the land of the debtors.

A fourth objection is that in no other country has it been found necessary to introduce any special procedure or extraneous assistance of a kind other than that afforded to any private creditor.'

We have, as Mr. Campbell explained, to deal with facts, not theories. India is not Germany, and I doubt whether in the latter country one could discover a counterpart of the learned Munsiff or whether the delays now inseparable in this country from civil court procedure would be tolerated in Germany.

Lastly, there is the objection noticed by the President at the last conference that it is undesirable to create a precedent. But in Bihar this precedent already exists. The Bengal Tenancy Act recognises the collection by certificate procedure of certain landlord's rents and cesses. Where there has been a settlement and record-of-rights prepared, and where the landlord's books are kept in conformity with the directions given in the Tenancy Act, Government will collect his rent in the same manner as if it were a public demand. Surely if this can be done for the honest landlord, there can be little objection to extending the same principle to societies in the welfare of which Government is keenly interested, in order to protect the honest from the dishonest and guard against prolonging accredited failures.

12. The trouble that has attended the obsequity of 117 societies in Chitarpur has convinced not only myself but also the local officers that had it been possible

to use the certificate procedure at once, the moment it was discovered that the societies were hopeless and unworkable, the money due would have been recovered in half the time with half the amount of harassment that has attended the present dilatory attempts to collect with the threat of future civil court cases as the only means of coercion. It would also have been to the great advantage of all concerned if the Deputy Commissioner, armed with the certificate, had taken the place of an amateur liquidator. The dishonest would not have evaded payment and left the honest to pay and thus put a premium on dishonesty.

13. The advantages of the proposal are :—

(*i*) Speedy collection of outstandings and winding up of a proclaimed failure.

(*ii*) Greater security for depositors.

(*iii*) Freedom from civil court formal litigation.

(*iv*) Safeguards against abuse.

In Bihar at least the failure of the monsoon and civil litigation are the chief disturbing elements in village finance. The first we cannot prevent though we can and do endeavour to mitigate the evil. The second we can, and should, so it seems to me, place beyond the reach of our co-operative societies. In both cases must the Collector, not the Munsiffs, be the *deus ex machina.*

Mr. Chatterjee also presented a paper on the appointment of liquidators and the regulation of liquidation proceedings :—

With the expansion of the co-operative movement, it is the experience in the United Provinces that a few societies fail every year and have to be wound up. However much care may be taken at the beginning in the registration of societies an agricultural calamity or internal dissensions or the default of one or two of the bigger men in a society lead to occasional failures. Moreover some societies which were established at the beginning of the movement are now found to be unworkable on true co-operative principles and have to be wound up. So far as possible every effort is made to dissolve the society by a process of what I may call voluntary winding up. The members take no new loans but repay instalments due and discharge all liabilities. In some cases, however, especially in large unwieldy societies extending over several villages or where there are serious internal disputes, the Registrar has to appoint a liquidator under the Act. No rules have yet been framed in this province regarding liquidation proceedings. In the early years the tahsildar used almost invariably to be appointed liquidator and his local knowledge and official influence generally enabled him to collect all dues without much difficulty. Members at that time were also under the impression that the tahsildar had in such cases summary powers of recovery. This idea has now been dissipated and even a tahsildar has usually to institute many suits for the recovery of dues. Moreover owing to increasing pressure of work in all departments district officers in many cases do not like the time of tahsildars being taken up by the duties of a liquidator of a co-operative society. In rural tracts it is difficult to find any other suitable person for the position of a liquidator. I have in some instances tried the manager of the central or district bank, but the latter has mostly to proceed by suit. Litigation gives rise to many difficulties. Courts often fix long instalment terms and enforce any such terms that might have been originally fixed by the society. The liquidators have to spend large sums on looking after the cases in court. The proceedings drag on sometimes for years, and the financing institution suffers considerably. Moreover the Registrar has apparently no power under the Act to control the liquidator and I do not know if such power can be conferred by rule under clause (*t*) of section 43 (2). The remuneration of a liquidator is also a point for consideration. Information will be welcome if these difficulties have been experienced in other provinces and how they have been overcome.

The President then asked Mr. Hammond to present the report of the Sub-Committee* to consider procedure for liquidation of societies by the Registrar.

*FOOTNOTE—The Members of the Sub-Committee were, E. L. L. Hammond, Esq., I.C.S.; Diwan Bahadur L. D. Swamikannu Pillai Avargal; Rai Sahib Munshi Gopi Nath; R. Ewbank, Esq., I.C.S.; Gustav Haller, Esq.

Mr. Hammond presented the following report:—

Report of the Sub-Committee appointed to consider the present liquidation procedure.

We have perused the notes written by Mr. Chatterjee and Mr. Hammond.

In our opinion if the word "Contribution" in Section 42 (2) (*b*) and the word "Assets" in sub-clause (*e*) of the same section does not include debts due from members to the society, some form of effective procedure should be devised to prevent recourse to civil suits and to enable the liquidator to wind up a society as quickly as may be. We recommend that such procedure in liquidation should be similar to that prescribed in section 44 of Act II of 1912.

In order to obviate as far as may be the undue prolongation of liquidation proceedigns we suggest that care should be taken when loans of a considerable amount are given out that the wording of the bond should be such as to make them terminable within one year.

The President asked why it was not possible to apply under Section 42, Sub-section (5) to a Civil Court.

Mr. Hammond said that the difficulty was illustrated by the following case. A society to be liquidated had a capital of Rs. 10,000 and they owed debts of Rs. 5,000. The assets of the society would perhaps realise Rs. 4,500. They could recover another Rs. 500 from the members to pay off the debts but could not recover the remaining Rs. 5,000 of the capital.

The President suggested that it could be done if it were declared a contribution under Section 42, Sub-Section 2 (*b*). He explained out that the object of the legislature in passing the new Act was to provide a simple liquidation procedure which would probably be sufficient for some years to come. If they had provided a complete liquidation procedure, it would have been a matter of many sections which would probably have been highly complicated and have overweighted the Act which was at present simple.

Mr. Ewbank said that under Section 42, Sub-Section 2 (*b*) it was possible to fix fees for the liquidator and to include debts due as fees.

Mr. Mitra pointed out that there were frequently so many claims that application to the Civil Court was not a simple matter.

Mr. Crosthwaite said that they had no difficulty in the Central Provinces.

The President remarked that there might be difficulty in other provinces where the niceties of the law were carefully observed; but for the present in would be well to await further experience as to the meaning attached by the courts to section 42 of the Act.

The discussion then closed.

VIII.—Forms for annual statements.

Mr. Langley then read the following report of the Sub-Committee* on Forms:—

The Sub-Committee considered Circular No. 5-403-1, dated the 25th April 1911 from the Department of Revenue and Agriculture and the replies to it from Local Governments, and also a note by Mr. Maclagan on the points of reference to the Sub-Committee.

Referring to paragraphs in Mr. Maclagan's note the Sub-Committee make the following recommendations:—

Paragraph 1.—As to primary classification of societies the Sub-Committee is of opinion that the terms "agricultural" and "non-agricultural" are preferable to "rural" and "urban," the object of the classification being to divide up societies according to occupation or purpose and not to location.

Paragraph 2.—The Sub-Committee considers the 6 clauses proposed in paragraph 6 of Appendix I should be adopted. (Each society should only

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* Footnote—The Members of the Sub-Committee were:—A. Langley, Esq., I.C.S., Chairman; J. M. Mitra, Esq.; W. W. Smart, Esq., I.C.S.; A. W. Botham, Esq., I.C.S.; A. C. Chatterjee, Esq., I.C.S.

be entered once and that according to its main object). Building societies would come under class III or in some cases under class IV.

Paragraph 3:—The Sub-Committee considers it not advisable to prepare statements in two parts showing credit and non-credit societies.

Paragraph 4.—There is no necessity for making a division according to type, if by type is meant whether the society is Raffeissen, Luzatti, etc. A division into limited and unlimited is sufficient. The actual form to be employed will be considered later

Paragraph 5 —The Madras proposal for a uniform co-operative year has been settled in the Conference.

Paragraph 6.—The opinion in paragraph 6 of the note is accepted that the alterations proposed by Messrs. Langley and Chatterjee were unnecessary.

Paragraph 7.—Figures for previous year might be left optional in the case of Statements A, B, and C.

Statement I-A.

The same as proposed by Government of India, adding 3 columns showing (1) most usual dividend paid on shares, (2) most usual rates of interest (*a*) on shares, (*b*) on deposits (*vide* columns 13-15 of proposed Statement II-A).

A footnote should be added explaining that "type of society" in column 3 means "central bank," "central banking union," or "union."

Statement I-B and C.

Proposed statements accepted with the addition of the same 3 columns as in Statement I-A.

A footnote should be added explaining that by type in column 3 is meant "limited" or "unlimited."

Statement II.

As regards Statement II existing Statement II-A, B, and C, should be retained with the following omissions, additions, and alterations:—

Omissions.—Column 4 to be included in column 13.

Additions.—A new column 3 to be added showing type of society.

A new column before column 7 showing loans to Central Banks Societies.

After column 9 a new column showing loans repaid by Central Societies.

After column 19 a column showing loans repaid to Central Societies.

Column 22 to be sub-divided in to "on personal security" and "on mortgage security."

After column 22 a new column showing "loans to Central Societies".

Alterations:—In column 2 for "kind" read "class." In column 12 read "sale of goods to members" (all other sale proceeds coming under "other income").

Column 18, read "members deposits withdrawn."

Statement III.

As regards proposed Statement III columns 4 and 5 cannot be filled in from data given in the other statements, and considering the number of different classes of societies which are now included in statements II and IV, the Sub-committee is of opinion that it will be very difficult to compile a Profit and Loss Account from those Statements.

Statement IV-A.

As proposed by the Government of India with the following modifications :—

A new column 3 to be added showing type of society.

Column 7 to be made into two columns similar to columns 5 and 6.

Columns 12 and 13 to be headed " Loans and Deposits."

We consider it advisable to enter each society separately in column 1, and not merely to give the districts.

Statement IV-B and C.

Will be in similar form to Statement IV-A, but only districts will be entered in column I.

The Sub-Committee considers the abstract given as an Appendix to Mr. Mitra's Report is a very useful one and might well be adopted.

As regards Statements I and IV, it was decided to accept the Sub-Committee's Report.

Mr. Langley said that they had been unable to come to a decision as regards Statement III. They could make no recommendation, and must leave it to the Government of India to prescribe such a statement if they required it and to determine what should be included in the statement. At present the Sub-Committee had found no way in which a Profit and Loss Account could be compiled from existing Statements II and IV.

The President asked if in the opinion of the Conference a Profit and Loss Account were wanted. He remarked that it was not necessary that it should be compiled from Statements II and IV.

Mr. Crosthwaite was of opinion that it was for the Government of India to say if it was wanted and pointed out that in the Central Provinces the Profit and Loss Statement had to be made at each audit and the form showing the Profit and Loss must be attached to every audit note.

Mr. Haller said that it was very necessary for individual members to have a Profit and Loss Account prepared for their information.

The President agreed but asked if it were necessary to compile all these profit and loss accounts for individual societies in the statements attached to provincial reports.

Mr. Chatterjee thought that it was not necessary to have them in provincial reports so long as it was made clear that each society was required to have one. *It was desirable that it should not be inferred from the proceedings of the Conference that a Profit and Loss Account was not required for each society.*

This was agreed to.

Mr. Ewbank asked if the substitution of the terms " Agricultural " and " Non-Agricultural " for the terms " Rural " and " Urban " were an alternative nomenclature only or if it denoted a change in the classification.

Mr. Langley explained that it was a change in the nomenclature only.

Mr. Smart said that he thought the Sub-Committee had decided that Registrars should classify societies according to their primary objects or *main* purpose and not according to the occupation of members.

Paragraph 1 of the Report of the Sub-Committee was accordingly altered as under :—

" *As to primary classification of societies the Sub-Committee are of opinion that the terms " Agricultural " and Non-Agricultural " are preferable to " Rural " and*

" Urban," the object of the classification being to divide up societies according to their primary object or main purpose and not according to the occupation of members."

The President asked if it were necessary to add a column showing the type of society. He pointed out that in the new statement the primary classification of the International Institute of Agriculture was adopted and if a further classification was to be added, a new column would be necessary.

Mr. Langley thought it was not necessary as the type adopted was generally uniform throughout each Province.

The President thought that it was important to show in the Report if not in the statements what types of society were adopted in a particular province but that it was not desirable to call them Raiffeisen, Luzzatti, etc., etc., because sometimes societies called by these names did not accurately correspond to the type of societies called by these names in Europe.

It was decided that it was inadvisable to show in the statements the type of society.

The President asked if there were any objection to Statement II as proposed by the Sub-Committee ?

No objection was raised.

The Conference accepted the recommendations of the Sub-Committee subject to the alterations agreed to.

IX.—Co-operation and Agriculture.

The following paper was put in by Mr. Crosthwaite on " Co-operative Societies as agencies for the improvement of Agriculture "

It is admitted and recognized that the system of Village Credit Societies now under construction will provide the channel by means of which the efforts of the Agricultural Department will reach the people and eventually introduce various practical improvements into common practice. But the stage at which it is possible to make use of co-operative credit and co-operative security for this purpose cannot be reached at once ; and it is the object of this note to indicate, as briefly as possible, the manner in which we are setting to work in the Central Provinces.

2. In the construction of our credit agency we started to build from Central Banks downwards to Co-operative Societies. Then having made a commencement we reversed the process. From the Central Banks we built up to the Provincial Bank ; and we are gradually increasing the membership of the Central Banks by the admission of Societies. Where we have succeeded in creating a good Central Bank, financing and supervising well established Societies, there we have an agency ready to hand for other forms of co-operative work in addition to credit pure and simple. Co-operative credit has prepared the way.

3. The point from which we have set out to introduce better methods and better business to the cultivator is the improvement of seed. We have not attempted too much at once ; efficient supervision is indispensable ; and concentration is necessary to secure a permanent improvement in the standard of agriculture within a given area.

4. The Agricultural Department, in the first instance, supply the improved strain of seed. Of course, this supply cannot be large. Therefore, it is, for this reason alone, useless to attempt immediate introducton on a big scale.

5. The next step is to distribute this seed to the members of a small Co-operative Society composed of men who are well known to be good farmers with quite substantial areas at their disposal. The Agricultural Department arranges, at the outset, to inspect the seed farms of members and to furnish the supervision which is essential to the continued purity of produce. Moreover, all produce is to be sold through the Society and, before sale, it is examined, tested, and graded at the Society's depôt. Pure selected seed is placed in Grade I, is certified pure, and is sent out in response to registered orders for pure seed. The seed in Grade II is sold for export and not for sowing. The certificate is, at present, issued by the Agricultural Department, but the object in view is to train the Society's own

paid staff to conduct every detail of the business and to rely on a sound reputation for excellence of goods sold as the best "certificate" possible. The early steps of the infant Society must be wisely supported. The District Council gives a small annual grant to be withdrawn as business develops and profits increase.

6. As the available supply of seed increases and as Co-operative Credit Societies learn the lesson of the practical example furnished by the Pure Seed Society they apply for pure seed. Now membership of the Pure Seed Society is essential for the grower. He must have the benefit of supervision, of a ready supply of fresh pure seed, of a good selling agency; and of the return of profits to shareholders which the Society makes. Sales are on fixed commission, and they are the source of profit from which the expenses of the depôt and the Society's staff will be met. Working capital consists of shares (carrying limited liability) and loans from ordinary sources, but *not* from Co-operative Banks (the security being limited and not unlimited liability). Shareholders are (*i*) individuals and (*ii*) individual Societies. At first the return of profits to shareholders may be proportionate to shares held, but, eventually, the return should be in proportion to the actual business transacted by each member.

7. Winnowers, Meston ploughs, and time and labour-saving appliances of all kinds are to be seen at the Society's depôt and can be purchased at co-operative prices. And we are trying to make the depôt an Information Bureau as well.

8. When the Society's work spreads amongst Credit Societies the Central Bank will gain the advantage of a wider and, at the same time, a safer field for its operations. It is obvious that the increasing earning capacity of the Bank's customers cannot but add to the influence and importance of the Central Bank.

9. In conclusion, I may explain that ordinary commission business (under proper restrictions) may, at first, be undertaken by the Society to meet depôt expenses. But we intend to drop this class of business altogether as soon as expansion in other directions allows us to do so. Specimen by-laws and a note on the inspection of seed farms are attached.

The President asked Mr. Mackenna to present the report of the Sub-Committee* on Cattle Insurance and the Combination of the Agricultural Department with the Co-operative movement.

Mr. Mackenna presented the following report.

Report of the Sub-Committee appointed to consider (a) cattle insurance and (b) co-operative banks and credit societies as agencies for the improvement of agriculture.

1. The members of the Sub-Committee were unanimous in holding that the extension of cattle insurance should be pressed on lines similar to those already undertaken. But they were also of opinion that the operations of village cattle insurance societies must be supplemented by a reinsurance scheme which will at first most certainly require both Government guarantees and donations.

Further, the grant of these guarantees and donations must be accompanied by a vigorous campaign in the direction of extending the use of prophylactic methods in rural tracts and the stricter enforcement of veterinary rules. The Sub-Committee considered that a large reinsurance society might ultimately employ its

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* FOOTNOTE :—The members of the Sub-Committee were :—J. Mackenna, Esq., I.C.S., Chairman; B. Coventry, Esq., C.I.E.; H. R. Crosthwaite, Esq.; Rev. Father Hoffman; Rao Bahadur Narain Rao, Kelker; Babu Radha Mohan Sahib; B. Nanavati, Esq., M. A.; Narayanayangar, Esq.; Thakur Thamman Singh; Babu Moti Chand Sahib; Maulvi Savid Ali Bahadur Sahib; Rai Bahadur Bishan Datta Shukul; Babu Chiranji Lal; the Honourable Sardar Rao Bahadur Moti Lal Chuni Lal; the Rev. E. M. Wheeler; Maulvi A. K. Fuzlul Huq; Maulvi Mohiuddin; Maulvi Muhammad; Choinuddin; and J. S. Johnston, Esq.

own trained veterinary staff to work under the general supervision and guidance of the Government Veterinary Departments.

2. With reference to the following question put by Mr. Langley the members of the Sub-Committee considered that conditions in different Provinces rendered it impossible to return a definite answer :—

" Is it necessary to have an agricultural association in a district in which the co-operative societies are able and willing to carry out the work of the Agricultural Department ? "

3. Mr. Langley asked " whether grain grown from pure seed commands a higher price in the market and is more readily saleable than grain produced from ordinary unimproved seed ? Also, have any special arrangements to be made for the sale of such improved produce ? "

In reply the Sub-Committee invited a reference to paragraph 5, Subject II, at page 34 of the published proceedings of the last meeting of the Board of Agriculture.

4. After full discussion of Mr. Crosthwaite's paper on the subject of co-operative banks and credit societies as agencies for the improvement of agriculture the Sub-Committee unanimously passed the following resolution :—

(1) for the improvement of agriculture better methods of finance are absolutely indispensable ; and

(2) to provide better methods of finance the system of village co-operative credit societies must be expanded ;

(3) village co-operative credit societies are the proper channels for the introduction of improved agriculture ; and, therefore,

(4) the system of agricultural unions described in Mr. Crosthwaite's note was approved ;

(5) the system of " district agriculturists " as proposed in Burma was a move in the right direction, and the attention of the Agricultural Departments should be invited to it ;

(6) one of the aims of co-operative banks, unions and societies should be to help the agricultural department by introducing in villages under their influence improved seed and implements ;

(7) in order to enable schemes such as those put forward for the consideration of the Sub-Committee to obtain success the permanent services of an expert staff are essential.

Mr. Langley asked for the advice of the Conference on the following question :—Where Co-operative Societies already exist in individual localities, is it necessary or desirable to organise Agricultural Associations in the same localities ?

Mr. Crosthwaite thought that in some places both were required, but it depended on the object with which the Agricultural Associations were formed. In the Central Provinces their Agricultural Associations existed first, but they were now trying as far as possible to absorb the Agricultural Associations in the Co-operative Societies.

Mr. Coventry pointed out that Agricultural Associations were established for varying purposes, some of which might be efficiently performed by Co-operative Societies, but others perhaps could not. That would depend on the object for which the Associations were formed.

Mr. Hammond thought that the Conference could hardly advise as circumstances from province to province differed. The Agricultural Associations in his province did remarkably little.

Mr. Coventry agreed, but pointed out that Agricultural Associations are in themselves examples of self-help and thought that if properly constituted, they might do things which Co-operative Societies could not do.

Mr. Chatterjee said that in the United Provinces Co-operative Societies were used to do pretty well every thing which Agricultural Associations could be expected to do.

Mr. Swamikannu Pillai said that in Madras they had many Agricultural Associations none of which did any work. They had for long been trying to supersede them by Co-operative Societies. He thought that if Co-operative Societies existed before the foundation of Agricultural Associations, there was no need to establish the latter separately.

Mr. Mitra thought that it was rather a matter for the Board of Agriculture to decide than for this Conference.

Mr. Hammond pointed out that Agricultural experts were still too few for the work they had to do and that it was impossible for them to look after both Agricultural Associations and Co-operative Societies.

Mr. Crosthwaite said that for that reason they had tried to amalgamate them in the Central Provinces.

Mr. Smart said that he thought that Co-operative Societies in Bombay took no interest in agriculture at all. In fact they would not even buy the pamphlets of the Agricultural Department at a cost of Re. 1 per annum. Agricultural Associations on the other hand were very useful and two of them even issued magazines of their own. He said that no hard and fast rules could be laid down for all provinces. He thought that the best solution was for Co-operative Societies to become affiliated to Agricultural Associations.

Mr. Chatterjee asked if the members of Co-operative Societies were not usually agriculturists ?

Mr. Smart said that they were but that the vernacular translation of his Agricultural Publications had to be distributed free to Co-operative Societies.

Mr. Ewbank pointed out that as the members of societies got them free, there was no possibility of their subscribing for them.

R. B. Motilal Chunilal supported Mr. Smart. He said that affiliation meant that Co-operative Societies would carry out the instructions of Agricultural Associations. Rural development had two branches, one financing and the other technical advice. The first was represented by Co-operative Societies and the second by Agricultural Associations, and it was advisable that the two should go hand in hand.

Mr. Langley reminded the Conference that he had asked for a general opinion on this question :—Where there were no Agricultural Associations and good Co-operative Societies already existed, should the Agricultural Department work through Co-operative Societies, or should it found Agricultural Associations ?

Mr. Coventry said that it was necessary to determine first what the objects in view were. Having determined what your object was, it was necessary to enquire if Co-operative Societies carried out that object. If they did so, there was no need of Agricultural Associations, but until it was decided what Agricultural Associations were intended to do, no answer could be given to Mr. Langley's enquiry. He pointed out that the Agricultural Associations were entirely voluntary private concerns and not in any way part of the Agricultural Department or founded by it.

Mr. Ewbank thought that there might be a danger in Co-operative Societies taking up the work of Agricultural Associations. The object of Co-operation was to build up credit and if the funds of Co-operative Societies were spent on experimental work usually done by Agricultural Associations, the credit of Co-operative Societies would be wasted.

Mr. Mitra said that Co-operative Societies should of course only adopt and seek to introduce obvious improvements. It was not their business to undertake experiments.

The President asked Mr. Crosthwaite what he meant when he said that Co-operative Societies and Agricultural Associations should be amalgamated ?

Mr. Crosthwaite said that Co-operative Societies could get improved seed, and distribute it to their members and could do the work of Associations in that respect. Members of Co-operative Societies and of Agricultural Associations were very much the same people and did the same work. In the Central Provinces the tendency was to merge Agricultural Associations in Co-operative Societies. He and Mr. Low, Director of Agriculture, agreed that Co-operative Societies had not done much to spread the use of improved seed. The members grew the seed for one year and it then deteriorated. The object of Agricultural Unions was rather to secure expert advice and to use it to keep up the supply of improved seed. In answer to an enquiry he said that they had found that the produce of crops grown from improved seed commanded a higher price, but they did not profess at present to have gone very far outside one or two selected centres. He put in the following note on seeds-farms and Co-operative seed supply-societies :—Seed farms are for convenience of inspection divided up into groups. Each group is placed in charge of an Agricultural Assistant who has a Kamdar to help him. The Kamdar assists in inspection, tuition, and in the collection of samples. Every seed farm is visited by the Agricultural Assistant or by his Kamdar just before or at the time of sowing. The seed is inspected as it comes out of the seed store, and the soil on which it is proposed to sow the seed is also inspected. Special care is taken to guard against the sowing of mixed or impure seeed : if impure seed be sown the seed farm is struck off the register of " licensed seed farms." Two varieties of seed should not be sown in different parts of the field, and care should be taken to aviod land which is infected by self-sown seed, the produce of which will be difficult to separate from the produce of the pure seed. Shortly before harvest commences seed farms are again inspected in order to see whether the standing crop is pure or mixed. If only slightly mixed, " wrong " plants are " rogued " out. This can only be done when the crop is in ear. At this time, also, definite arrangements must be made for the construction of a separate *Khaliyan* for the threshing out of the crop of the seed farm. After threshing, a tour is made of the various *Khaliyans* and the produce is carefully inspected and representative samples are taken. These are forwarded to the Deputy Director of Agriculture with a note on the quality and purity of the crop and remarks as to the effect of rust, hail, or frost upon it. It is also stated in the note what the approximate yield per acre is, and the wishes of the owner as to the disposal of the crop are also reported. It is then for the " Seed Supply " to step in and help in making the necessary arrangements for the disposal of the crop.

2. At first the Seed Supply Society will not be able to afford to pay for the essential work of inspection. But as its income increases, it will be able to employ a staff, the members of which will receive the necessary training for their duties from the Department of Agriculture. It is not intended that pure seed societies should always be dependent upon the Department of Agriculture, but until they are able to conduct their own operations Government supervision and assistance will be essential.

Mr. Hammond said that there were Inspectors and clerks of Co-operative Societies and that the Agricultural Department also had Inspectors. He wished to know if it would not be possible to combine the staffs of the two departments. It should not be difficult to train agriculturists so that they would be able to inspect Co-operative Societies.

Mr. Chatterjee asked under which of the two departments the combined officers would work ?

Mr. Hammond said it did not matter much but perhaps they should be under the orders of the Registrars of Co-operative Societies.

The Rev. E. M. Wheeler thought it would be very difficult to combine those functions in one officer.

Maulvi Mohiuddin explained that some Co-operative Societies were interested in Agricultural improvement such as the improvement of sugarcane and sugar refining and that it would be convenient if the officer who went to inspect the Co-operative Society was also able to advise regarding the improvement of sugar.

Mr. Crosthwaite said that there was a scientific difficulty. For the introduction of improved varieties it was necessary to use expert methods. A co-operative officer was paid Rs. 25 a month and it was impossible to get for this a man trained in agriculture. Agricultural Associations on the other hand were formed expressly for this scientific work and such associations commanded funds and could afford to pay for an expert who could do the work.

Mr. Smart said that in Bombay they had Agriculturists who had the degree of Bachelor of Agriculture, were graduates of the University of Bombay, and could soon learn to inspect Co-operative Societies. The Registrar of Co-operative Societies in Bombay had drawn up a form showing what special items they were required to look into when inspecting the affairs of Co-operative Societies.

Mr. Hammond said that his point was that a Registrar had men under him at Rs. £5 a month who were of no use at all for agriculture; he wanted better men, but they would not be able to pay them. If the Agricultural Department combined with the Registrars it might be possible by paying them more to get men able to do both branches of the work.

Mr. Coventry thought that the matter did not really depend on the amount of pay offered. He was unable to give a definite opinion without consulting his department, but he ventured to remark that it was a question at what point the operations of the two departments came in contact. The object of both was the improvement of rural economy. The science of agriculture was a profession and to complete any one piece of work it was necessary that the Agricultural Department should control it throughout. The question was where co-operation should come in. To take the instance of the introduction of pure wheats, the botanist was required in the first place on the experimental farm to isolate out a pure strain of wheat; it was then transferred to the seed farm and there the botanist was still required to ensure that the seed was bred true to type and that deterioration due to hybridization did not supervene. The seed then had to be distributed to cultivators and it was here where Co-operative Societies might come in and take over the duty of distributing the seed from the seed farms to cultivators. He did not think that Mr. Hammond's scheme of combining agriculturists with co-operative workers would work well.

Mr. Hammond said that he would be quite content to give over the control to Deputy Directors.

Mr. Langley remarked that he had no doubt that other Provinces suffered in the same way as the Punjab from a lack of sufficiently trained Agricultural Inspectors. He thought that until they could supply more Agricultural Inspectors for agricultural work it would be a pity to give them additional work which could only be done by sacrificing some of their more legitimate duties.

[At this point Sir Robert Carlyle entered* and said :—

It has occurred to me that possibly I confined my remarks on Monday so severely to one point that I may have laid myself open to misunderstanding. I told you how important I thought it was not to extend the movement too fast. I do not wish to qualify in any way what I said, but I want to dwell on a different aspect. If we get a sufficient number of non-official gentlemen interested in the movement and understanding the principles of co-operation we can ensure that societies shall be started in large numbers and yet be run on sound lines. We owe a great debt of gratitude to the non-official gentlemen who have done so much for the movement in the past and they are indispensable for the future if the movement is to progress rapidly and on sound lines. You non-official gentlemen who are here to-day are all pioneers and to you attaches the peculiar honour due to all pioneers of great and beneficent movements. We want a great many more men imbued with the same spirit.

*See page 3.

I hope I have made it clear that what I am afraid of is not rapid progress but unsound progress; progress beyond our strength to supervise. What a safe rate of progress may be, depends very largely on the rate on which our supervising agency can be developed and this again depends on how rapidly we can attract to our assistance non-officials full of zeal and understanding and the understanding is as necessary as the zeal.

I would add a few words on one or two other points on which I believe there is misunderstanding. When it is said, I do not know if all share the view—that detailed inspection and supervision should be as far as possible non-official I for one do not wish to see Government lose touch with the movement. I hold on the contrary that it is essential that Government should guide and assist co-operation, but we have to guard against departmentalism and routine and it is very difficult to avoid these evils if the number of Government officers connected chiefly with the movement is not kept low in proportion to the work to be done. I believe there are some who think Government should contribute more largely pecuniarily. If I, on the other hand, hold that it is desirable to limit Government grants to the narrowest possible limits it is that I believe it is impossible for co-operation to develop on a large scale in a healthy manner if it is not run on strictly business lines. If I object to anything in the form of charitable relief from Government in the case of Co-operative Societies, I object equally to charitable relief from private individuals. Help may be given from charitable motives, but it should be given on business lines. Here again do not misundertstand me; special cases may arise and have arisen and must be dealt with on their merits. I for one believe that it may prove possible to do a great deal in times of famine through Co-operative Societies and it is certainly not in times of famine that Government would allow Co-operative Societies to struggle unaided against disaster. All this is my personal view. I do not speak as a member of the Government of India. Gentlemen, I must apologise for taking up some of the very limited time at your disposal, but I am so anxious to prevent any misunderstanding that I hope you will forgive my addressing you again.

Sir Robert Carlyle then withdrew and the discussion was resumed.]

Mr. Nanavati said that in Baroda he appointed a graduate from the Poona College whose pay was contributed as under :—Rs. 25 from the co-operative budget, Rs. 35 from the Agricultural Department, while Co-operative Societies contributed Rs. 15. He attended to 28 Co-operative Societies and was instrumental in introducing improved seed, etc. He took orders from the Agricultural Department, as regards agricultural work and was under the Registrar, as regards control of Societies.

Mr. Chatterjee said in the United Provinces the Co-operative Department had a separate Bank staff. For advice on agricultural matters, they applied for special men from the Agricultural Department. The Co-operative staff had not as a rule time to attend to other matters and he thought it was better for them to concentrate their work.

Rai Bahadur Gopinath said as the Co-operative Societies were now expanding it was the duty of the Government of India to help them.

Mr. Crosthwaite pointed out that by adding staff for co-operation, for veterinary work and for agriculture the Government was helping in the best way they could.

Mr. Gopinath said that at first they had hands but the difficulty was to get people to use them and follow their advice. Now the people are clamouring for advice and they had not got the staff to advise them. Demand had gone ahead of hands.

Mr. Narayanayangar wished to establish the general principle of co-operation between the two branches and remarked that this Conference of Registrars had had the benefit of the advice of members of the Agricultural Department, and he suggested that selected members representing the Co-operative movement should be invited to sit at the Board of Agriculture. He moved the following resolution :—

" That this Conference is of opinion that a close relation between the Co-operative and Agricultural Departments is necessary and valuable

in promoting the improvement of rural economy and recommends that officers of the two Departments should come together as often as possible and that representatives of each department should be invited to the All-India Conferences of the two Departments."

Mr. Coventry said that they would be very glad to receive Registrars, but there were physical difficulties. The Board of Agriculture already consisted of 56 members and if they were to admit even a limited number of Registrars, they would have to reconsider the constitution of the Board.

Mr. Crosthwaite said that Registrars had not time to attend other Conferences. They already had a large number of district and provincial Conferences to attend. He thought it would be sufficient if touch were kept between the two departments in the provinces and that it was unnecessary to attempt to combine all central Imperial Conferences.

Mr. Mackenna thought that the suggestion was at present unnecessary.

Mr. Smart remarked that in Bombay the two departments were one.

The Resolutions of the Sub-Committee were adopted.

Mr. Coventry then raised the matter of Cattle Insurance. He was told by Father Hoffman that in Chota Nagpur nearly all the cattle were completely wiped out about every six years. Agriculture and cultivators depended entirely on cattle. He thought that the greatest stress should be laid on the absolute necessity for the further rapid extension of prophylactic measures. He thought that cattle insurance would do no good without it. He suggested that the Conference should record that Government must first start prophylactic measures otherwise Cattle Insurance Societies would be ruined at once. The efficacy of the serum which Government prepared had now been tested and proved. There was no reason why the mortality of cattle should not be checked by this means if only the agency for extending inoculation were sufficient. This should first be added to.

Mr. Mackenna then read the Resolution of the Sub-Committee referring to Cattle Insurance, and asked if that would not meet Mr. Coventry's views.

Mr. Coventry said he would like to strengthen it by saying that Cattle Insurance should not be started until prophylactic measures were sufficient.

Mr. Crosthwaite thought that this was too strong. In the Central Provinces they were going to start Insurance Societies and they asked for no Government guarantee. They knew that there were risks, but they were going on with them. They might fail, but they were going to try. They had ascertained that the average age limit of a working bullock was 12 years. At present the whole matter was experimental, and it was impossible to say without further experience whether it would succeed or not. If Government guarantees were demanded, it was possibly necessary to depend on prophylactics, but if they could get private effort to come forward, he did not think that it should be stopped until prophylactic measures were perfected.

Mr. Coventry thought that even private effort must fail unless prophylactic measures were adequate.

Mr. Mackenna said that it was a condition in Burma of Government help that veterinary aid should have been summoned in all cases on which the claim was based.

Mr. Hammond stated that so far as Bihar and Orissa were concerned any attempts at Cattle Insurance were foredoomed to failure unless they were preceded by the most vigorous prophylactic measures, for which an increased expert veterinary staff was necessary.

Father Hoffman agreed. He would have to pay Rs. 8,000 to 10,000 a year for cattle disease deaths.

Mr. Haller said that in Germany no claim was valid unless the case had been attended by a veterinary practitioner.

Mr. Crosthwaite suggested that Mr. Coventry's opinion should be recorded, but that it should not be accepted as a Resolution of the Conference.

Mr. Smart asked if it were not absurd to discuss the question, because obviously it was impossible to ask for a Government guarantee or other help unless you undertook to take prophylactic measures.

Mr. Crosthwaite then withdrew his opposition to Mr. Coventry's proposal.

Mr. Mackenna said that the difficulty might be met by suitable bye-laws in the Cattle Insurance Societies.

Father Hoffman objected that no such bye-laws could be made in Chota Nagpur, because there was no veterinary staff which the people could call to their assistance.

Mr. Smart said that he thought every society was bound to have a bye-law such as Mr. Mackenna proposed, and that then the demand for Cattle Insurance Societies would compel Government to provide adequate veterinary staff.

Mr. Chatterjee agreed with Mr. Smart and suggested that Central Banks might help Government by providing veterinary staff. In the United Provinces inoculation was done both by Veterinary Inspectors and by Veterinary Assistants, and he thought that the staff was now sufficient to justify them in starting societies. The movement would, however, be strengthened by recording a Resolution such as Mr. Coventry proposed.

Thakur Thamman Singh said that his society hoped to be able to pay for a veterinary assistant.

The President suggested that perhaps they might say that societies should not be started except in tracts where the veterinary staff would be adequate in case of an outbreak.

R. B. Motilal Chunilal said that a demand for such insurance already existed, and he thought the staff should be added to, so that it might be provided.

Mr. Mackenna said that in Burma they refused to register any society which did not provide for Cattle Insurance, in any district which they considered adequately provided with veterinary staff.

Mr. Hammond said that he was in a difficulty. In Burma only Superintendents inoculated and in United Provinces they were content with inoculation by Veterinary Assistants.

Mr. Smart said that personally until he attended this meeting, he had never heard of Cattle Insurance, and he doubted if there was any demand for it.

Mr. Crosthwaite replied that there was no demand for co-operation before they started it. It was their business to create a demand for these Insurance societies if they thought them of benefit.

Mr. Smart said that he thought the staff of Veterinary Assistants was ahead of the demands for Cattle Insurance Societies.

Mr. Coventry and Rev. E. M. Wheeler both disagreed with him.

Mr. Hammond said that their cattle were dying in large numbers, and that they had not enough or sufficiently trained assistants to cope with the disease.

Father Hoffman remarked that he had lived 16 years in native villages, and he did not remember one single bullock being inoculated. He had gone to the Collector of Ranchi and asked for help. The Collector said he thought there was one Veterinary Assistant in the district and on enquiry ascertained that there was another who went on tour, but further enquiry showed that he had not been on tour for some years. He thought that proved that prophylactic measures were not yet adequate. In answer to an enquiry he said that all villagers would use inoculation if they had the opportunity.

Mr. Coventry observed that a system of Cattle Insurance Societies could only be built up successfully on a basis of adequate prophylactic measures, and that such measures were at present inadequate.

Mr. Smart suggested that a possible solution might be found in asking Government for Veterinary Assistants and not for any other assistance or for a guarantee.

Mr. Coventry in answer to an enquiry said that he had expert veterinary opinion that Veterinary Assistants and private persons could use serum.

Mr. Hammond remarked that even Life Insurance Societies at home would accept the certificates only of specified doctors. Would Cattle Insurance Societies be prepared to accept the certificate of any Veterinary Assistant ?

Mr. Coventry said he had heard from a bacteriologist whose reputation rested entirely on the proper use of serum, and who admitted that the reputation of the Government serums and of the Imperial Laboratory at Muktesar would be ruined if the serum fell nto disrepute through being inefficiently applied, that he was convinced that Veterinary Assistants, if not at present capable, could at any rate be made capable of inoculating. He did not say that all existing Veterinary Assistants were capable of it.

The meeting then adopted the following Resolution *that cattle insurance should not be undertaken unless adequate means existed of applying prophylactic measures.*

X (*a*) Government audit.

The following paper was read by R. B. Bishen Datta Shukul on the paramount necessity for Government Audit :—

Of all the matters relating to the sound practice of co-operative credit I look upon audit as the most important. How are we to safeguard against fraud, negligence, and ignorance ? We have had examples of utter mismanagement, and worse, in ordinary joint stock banks and companies, and we shall not really secure ourselves against abuses by merely ticketing our banks and societies as "co-operative." It is true, of course, that our societies are built upon a foundation of character and joint responsibility. But we must not expect too much of ignorant and uneducated people. Who are the people for whose benefit we are working ? They are, as Lord Curzon said, "the dumb patient millions toiling at the well and at the plough, knowing little of budgets, but very painfully aware of the narrow margin between sufficiency and indigence." To this class belong the great majority of our co-operators. In spite of the rapid progress made by the co-operative movement in different parts of India, it is idle to pretend that conditions are altogether favourable. We, who are practical workers of the unofficial class, know that the movement is doing untold good. But it must never be foregotten that co-operation in India has been introduced by Government and not, as in other countries, in spite of Government. The subject must be looked at from this point unless the view taken is to be alotgether distorted. The path of the co-operators,—I speak from personal experience,—is a difficult and arduous one. Very few unofficials of the better classes understand much about co-operation ; and even in official circles there is not as yet a widespread and comprehensive knowledge of the subject. It is, indeed, very doubtful where anybody can grasp the intricacies and details of sound co-operative practice unless he has had wide practical experience.

Societies are now multiplying rapidly and the confidence of the public in the success of the movement is increasing. Most of us think that co-operation has come to stay. That is our opinion ; and, in this case, I could quote also the opinions of men who have no wish to see co-operation succeed. They admit mournfully that a new and strange influence has come into the lives of the people, and they state openly that they are convinced that co-operation will succeed. Such men back their opinions with their money not (in the beginning, at any rate) because they are philanthropists, but because they consider the investment sound. If we ask our depositors and shareholders why they believe co-operative business to be *sound*, they invariably show that they attach tremendous importance to audit by the Registrar and his staff. They know full well that the business is a special one calling for special experience, special knowledge and special training. I speak for the public of the Central Provinces when I say that the co-operative movement will fail altogther unless Government continues

to supply a special audit staff. They ordinary "Auditor" is no use to us. We must have, as we have at present, a special agency, carefully instructed and trained and composed of men who know and understand village life. Such men only can really "audit" our work and render the peculiar service necessary; and, in addition, it is of the highest importance that they should be controlled by an officer who understands co-operative work himself. It must be understood that co-operative business is not merely a matter of broad principles applied by rule of thumb, but is complicated almost beyond belief, by local conditions and, I may add, by local laws. By all means supply the Registrar with an adequate staff for inspection and audit. None of us who have the true interests of India at heart will grudge him that. But do not relax the supervision and guidance which we are at present receiving and which we, in the Central Provinces, are so grateful for. Audit, in short, cannot be dispensed with, and it must be Government audit unless co-operative credit is to collapse. Government cannnot delegate the responsibility for audit to unofficial agency, nor to any official agency except that specially trained and controlled by a Registrar who understands co-operative business and local conditions.

I have read the works of Mr. H. Wolff with great admiration, but I see quite well that he does not understand the peculiar problems of rural India. The illiteracy of our Central Provinces' people is, I think, a strange thing to Mr. Wolff. But I gather from Mr. Wolff's books that he considers audit, control and supervision to be absolutely essential. I do not see how the duties of audit of societies can be delegated to Central Banks. The ultimate security for the investment of public money is the unlimited liability of our rural and industrial societies. Although this liability is unlimited, the capacity for credit is limited and this capacity is not a fixed quantity. It varies from year to year and with the course of the seasons. Central Banks judge the credit; but we must have, for public reasons, an outside check. And I, for one, do not see where that check is to come from unless from Government. No ordinary company audits its own accounts; chartered accountants would be useless for our special work, and Government alone can supply the special staff necessary. In England, where, I believe, co-operative rural credit has been, so far, a dismal failure, Government has manifestly failed to accept its proper responsibilities in the matter. Mr. Devine in his work on co-operative credit frankly states that Government inspection and audit is a "policy of perfection which is not likely to be carried out, partly because of its cost, but mainly because my countrymen hold what I venture to believe to be exaggerated ideas of independence which prevent the majority from agreeing to such inspection, however beneficial". I do not think the Indian cultivator suffers from such "exaggerated ideas," and when we unofficial workers say that we must have Government audit and supervision it may be taken that, as practical workers, we understand what we are talking about. As Secretary of a Central Bank which finances and controls 225 rural societies, I can claim, perhaps, to speak with special knowledge of my subject. I have, moreover, spent all my life as a landlord amidst rural conditions and amongst my tenants. If Government wishes and sees fit to delegate the expense of audit by all means let it do so when the time comes. We shall offer no opposition when our position is stronger and more assured than it is at present. We wish, however, to know definitely where we stand, and, for this reason, I have been asked by my follow unofficial workers in the Central Provinces to request Government to formulate and announce a definite and really permanent policy in this vital matter of audit.

RAI BAHADUR N. R. KELKER THEN READ THE FOLLOWING PAPER ON "THE CO-OPERATIVE MOVEMENT AND GOVERNMENT CONTROL."

The remarks herein contained are primarily meant for the Central Provinces but some of them may possibly apply to other parts of India. In the matter of the co-operative movement we have generally to deal with comparatively backward classes or masses amongst whom illiteracy is the rule and literacy the exception. In these Provinces, till very recently, many districts were land-locked without any railways or telegraphic communication; the internal communication by means of

roads was, and still is, of a very limited character. Owing to these and other difficulties the people had few opportunities to come into personal touch with their more advanced fellow subjects in other parts of the country and thus benefit by encountering education and experience. Primitive and conservative habits are responsible for the fact that the level of self-help is an unusually low one. We have to work our way patiently through prejudices, lay foundations, and build a structure thereon by diffusing light through this darkness of ignorance and inertia.

Amongst the more advanced classes who claim to be educated the spirit of self-sacrifice and a desire to mix with the people freely without restriction, to know the wants of the people and find out means to alleviate their grievances has not been yet sufficiently aroused. In all fairness it must be admitted that the co-operative movement is gaining ground in the minds of the educated and well-to-do people and they have begun to believe that the ultimate salvation of the agricultural and industrial classes depends upon the growth and success of the co-operative movement. But it must be borne in mind that the quality and quantity of the interest so created is yet too small to cope with the demand, and that it takes years and years to alter character and dispel prejudice.

Many of us who have been associated with this movement almost ever since its beginning are still only mere students who have to learn much in order to understand our duties properly. We have manifold duties to perform in connection with this movement, the principal amongst which is the making of converts to the cause and the training of new-comers or recruits and thus adding to our list of workers. In the interior parts of the Provinces we find it extremely difficult to get suitable workers.

Our societies and banks are yet in their infancy and for a long time to come may not be in a position to engage an adequately paid staff trained in organizing and controlling the movement.

Local capital is not only shy but is busily occupied in local trade, etc. Outside capital will only be forthcoming so long as the affairs of the societies or banks are in capable hands and their working commands confidence. Leadership and control we must have; we get these from the Registrar and his staff, and, in co-operation, we have done much to teach self-help and thrift. In our Provinces we have to combat another difficulty of a more serious nature, *viz.*, that we have, to a large extent, to depend entirely upon the personal honour of the members who enjoy tenancy rights of inferior kinds. These rights though heritable in a prescribed manner are subject to undue limitations in the matter of transfers.

It is not too much to say that the advance which the co-operative movement has made in our Provinces is mainly due to the belief which has gained a firm hold on the public mind that Government has the real interests of the people at heart in this matter of co-operation and that Government believes firmly in it. We know that it is backed up by Government and as long as it is so backed up public money—but not *Government* money—invested in the spread of the movement is safe. We, the people, have found the money and we look to Government to spare no effort to help us to help ourselves. Western theories and western practice must be modified to suit the requirements of the case.

It will take years of hard, continuous and patient labour in different directions both on the part of the officials and non-officials who have got the interest of the movement at heart before we can hope to see an organization independent of Government control and supervision. The possibilities of abuses and waste due to ignorance if not to anything else, have to be avoided at any cost. We have to safeguard against village factions, caste, and creed and distinctions, rival interests that might crop up between the societies and the money-lenders; and all these dangers can be faced with the help of some central and independent form of Government control which can keep the scales in balance.

Notwithstanding so much talk of "independence" it must be candidly admitted that many of us are not yet qualified to manage co-operative business in complete independence of Government. Some of us have acquired a theoretical and elementary knowledge of the subject of co-operative banking which is after

all a subject for the expert. In the practical administration of the internal affairs of our Banks and Societies our hands are fully occupied.

Owing to selfish and conflicting interests the idea of corporate life has largely disappeared. In villages if banking is known it is known as the monopoly of an individual banker or money-lender. In this state of affairs it is not surprising that co-operation is as yet unknown to the average villager.

To make this movement a success the educational standard of the people has to be raised, their moral calibre has to be strengthened, their apathies have to be shaken, their prejudices have to be overcome, their wasteful habits due to peculiar social and religious notions have to be remedied and then they have to learn the lesson of co-operative credit and the advantages and benefits of action in common. Much has been done already. But it is as nothing when we consider what remains to be done.

Without active and continuous Government aid and control it is impossible to surmount the innumerable difficulties and pave the way to the ultimate goal. Those who have worked in the villages know how difficult and troublesome it is to organize a Society and set it in proper working order. Eight years ago we found these difficulties almost insurmountable. Owing to the practical educative influence of early Societies these difficulties are slowly disappearing and we now find a number of villages spontaneously coming forward with applications for registration of Societies and undertaking joint and several liability.

I make no secret of the fact that in the matter of recoveries our task is comparatively light. All this, however, as I have said before, is due to the confidence that we feel that in joining hands in such undertakings our interests are adequately protected by Government sympathy, supervision and control. The villager, through faith which may be blind, looks upon the loans he takes from us as money which Government is watching. He believes in Government supervision because he knows that private creditors can be dishonest and grasping. We, the lenders, believe in Government supervision because, as I have said before, we value and appreciate leadership and we reckon on assistance when necessity arises. We are not feeble ; we are not helpless ; but as men of sense and practical business ability we are aware of our own limitations in this matter.

If Government aid, control, supervision or whatever it may be called, is abruptly withdrawn at this stage the Societies and Banks will find themselves in an inconceivably awkward position. Their further growth will be impossible and the movement as a whole will shrivel away. If such a step, if it ever can be taken, is prematurely made the position of Government will be most unenviable. The blame of serious disaster, and the loss of valuable public time, money, and labour will be at the door of Government. Once the idea gets abroad that " independence " is contemplated people will lose all confidence in the movement. They will at once get the impression that Government has withdrawn its hand because it is no longer worth its while to co-operate. Our last state will be worse than our first. The fact is that this co-operative movement has brought us unofficials and our officers of the Central Provinces to understand each other very well : and we view with dismay the fact that " independence." is aimed at.

It is no secret that there exist few unofficial workers or leaders who command the degree of public confidence that is necessary to continue and foster this movement independently of Government aid, control, and supervision. Special knowledge and special talents are necessary to organize and connect agriculture with the money market. Moreover, the number of unofficials with sufficient time and means and self-sacrificng devotion to public duty is so small and so scattered that they would be quite unable to manage successfully even the existing number of Societies and Banks.

I must frankly say that if the Government control is withdrawn the zeal and energy that is displayed by unofficials here and there (genuine as it is) will soon be relaxed. Co-operative affairs will degenerate into confusion and mismanagement.

One can understand the objects of Government, but, I for one, should be sorry to think that Government is anxious to be relieved as soon as possible of

the onerous responsibilities which the introduction of the co-operative movement has brought with it. No one wants too much officialism; undue officialism induces demoralization, and when it once worms into details it kills the vitality of the movement. Theoretically, the movement must be an unofficial one; but to become a practical reality it must depend upon official guidance and control the nature of which may be gradually relaxed in course of time. "The more haste the less speed."

We have got a Provincial Bank, various District or Central Banks and Rural and Urban Societies. It is early, perhaps, to say much about the Provincial Bank. But it is worth while to state in this connection that co-operative banking is so strange a thing to its unofficial Directors (intelligent, educated and business men though they are) that they have to rely on the advice and assistance of the Registrar. In fact, they have decided to invite the Registrar to control the Bank's affairs and to train them in the special business of this great and vitally important Bank. No one can deny the wisdom of this decision. There are, as yet, every few places where the management of the District or Central Banks is purely unofficial. The unofficial work is yet unfortunately confined to a limited few; and improvement will be slow but sure. In the Rural Societies we find difficulties in keeping accounts, writing proceedings, and making the people understand the bye-laws and standing or circular orders. Coming to the Urbans we don't find a much better state of affairs.

I hope I may not be condemned as a pessimist. I believe firmly in un-official work in connection with this movement. I enjoy the reputation or notoriety of being an enthusiast myself. I own that our success so far is most satisfactory and most encouraging. But I am bound to depict a true picture of the real state of affairs to remove false impressions that are likely to be gained by outward appearances.

The real solution of the situation lies not in the total withdrawal of Government control but in the combination of a mixed agency of official and unofficial workers whose harmonious working for a series of years may gradually lessen the degree of Government control. For this the Government may spend money for travelling and other out of pocket expenses of both classes of workers. It is by means of wise training that official control may safely be withdrawn. In this matter I recommend Government to ponder matters fully; not to imagine that East is West; and to bear in mind the old maxim "Look before you leap." In conclusion, I wish to say that co-operation is looked upon, in the Central Provinces at any rate, as by far the most beneficent and far-reaching measure which Government have yet devised for the advancement of the country. We unofficials have the interests of co-operation deeply at heart and we are grateful to officials for co-operating with us. We quite recognize that independent self-help is a most excellent virtue. But we want Government to help us until that virtue is more widespread than at present.

The Rev. E.M. Wheeler asked if it was suggested by any one that Government should withdraw from the audit?

Mr. Chatterjee opposed the view that audit should always be done by Government. He thought that would be a retrograde step. In the United Provinces they had made some progress already in devolution of auditing to unions and central banks. He referred to Sir Robert Carlyle's remarks deprecating officialization of the movement. He thought that audit was better done by servants of unions than by the Government staff. It was impossible for the Registrars to control a large number of auditors, but the Directors of Banks could do so. Central societies had now professional auditors appointed by the Banks after approval by the Registrar. Audit was a thing quite apart from inspection. A system of auditing by unions brought the joint stock banks in touch with societies.

Mr. Crosthwaite said that joint stock banks would not advance money unless the banks remained under Government audit. He did not know what audit in the United Provinces was like, but he had no doubt that it was efficient. He pointed

out, however, that the audit of a society had to be considerably more than the checking of accounts. It was impossible at any rate for the present to separate inspection from audit.

Mr. Chatterjee said that he referred to the audit of Central Banks.

The Rev. E. M. Wheeler remarked that the Registrar is responsible for the audit of Central Banks.

R. B. Motilal Chunilal said that the popularity of the movement depended on audit by Government, otherwise confidence would be lost, and if the movement did not altogether die out, it would at any rate receive a shock from which it would take long to recover. Secondly, the Registrar would find it difficult to know how a society was progressing unless he himself was responsible for the audit. He invited a reference to milling concerns and joint stock companies which had failed in large numbers, the failure being due almost entirely to the failure of audit. The same thing would happen if Government audit were withdrawn from co-operative societies. Government had (he thought rightly), ceased giving loans to co-operative societies, but must continue to audit.

Mr. Mitra said that the Registrar and his staff must both audit and inspect, but there was no objection to central banks having their own auditors and inspectors.

Mr. Crosthwaite observed that even in England, Germany, Ireland and in Europe generally it was found necessary to have Government inspectors and auditors and it was unlikely that they would be able to do without them in India.

Mr. Chatterjee thought that the audit of Provident Societies was carried out by officers approved by the Provident Societies themselves.

The Rev. E. M. Wheeler said he did not see how Government audit could be avoided under Section 17 of the Act.

The President pointed out that the Registrars were responsible that audit was conducted by an auditor approved by them but not for the audit itself.

The Rev. E. M. Wheeler pointed out that besides the public value attaching to a Government audit the further point arises that if Government withdrew from audit, it would give rise to the opinion that they were losing sympathy with the movement.

R. B. Radha Mohan thought that Government audit was not in keeping with the principles of true co-operation which meant self-help. He thought that Government would gradually give up audit and leave matters to be managed by the societies themselves. Joint stock companies would be more ready to advance money if the central banks, to whom they lent, were admitted to the audit of their component societies. There was also the educational advantage. In the United Provinces it was the custom at the monthly meetings of the societies to teach the members the principles of auditing.

R. B. Motilal Chunilal pointed out that there was no objection to anyone else auditing in addition as long as Government did it too.

Mr. Crosthwaite pointed out that a fundamental objection to central banks auditing their subordinate rural societies was that it was really auditing their own accounts, and this was nowhere admitted. A central bank depended for its credit on the unlimited liability of rural societies and if the central bank were to be the judge of the solvency and efficiency of its rural societies, confidence in the central bank would be impaired. There must be an outside audit and Government was the right person to undertake it.

Mr. Mitra agreed.

Mr. Mackenna also agreed with Mr. Crosthwaite and he would go farther and say that the Government audit should be done by no one under the rank of Assistant Registrar. The audit of co-operative societies was not the same as the ordinary business audit which depended on accounts. The audit of a co-operative society needed local knowledge and it was necessary to rely on local information in order that the annual valuation should be efficient. For years to come it

would be necessary to go to the outside market for money and the only reason which made it now possible to obtain money in the outside market was that the general public knew that societies were under audit and control of officers of the status and reputation of the present Registrars. Public confidence was so shy that even a change of Registrars might affect the price at which money was forthcoming.

Mr. Mitra asked that if they did not audit, what were the duties of the Registrar and his staff in the United Provinces ?

Mr. Chatterjee said they conducted test audits and did inspection. They did not organise societies. The inspection did not include audit.

The Rev. E. M. Wheeler thought that the meeting would be prepared to affirm that Government audit was essential.

Maulvi Sayid Ali said that they already had three or four audits in the United Provinces, and if Government also did auditing, it would be necessary to charge fees and it would be believed that Government was doing it in order to share in the profits of co-operation. Their departmental auditors were graduates and knew how to keep accounts.

Mr. Crosthwaite pointed out that under Section 17 of the Act, the audit was to include examination of overdue debts and a valuation of the assets and liabilities of the societies. It was impossible for a town graduate to value assets. In the Central Provinces they found it necessary to get valuation experts from the Settlement Department. Their men were constantly in the villages and among the villagers. They were men of the soil and brought up on the soil. The stock in trade of central societies consisted chiefly of the assets of rural societies and if they were responsible for the valuation of rural societies' assets, they would be auditing their own affairs.

Mr. Chatterjee (in answer to Mr. Hammond) said that central banks had a number of men who were approved by the Registrar and trained in the Department. They are responsible first to the central banks and lastly to the Registrar, who had the same control over them as he would have over Government officers.

Mr. Hammond thought it was necessary that the auditor should be under the control of the Registrar and that this could not be done unless the Registrar appointed him and could dismiss him.

Mr. Crosthwaite thought that central bank inspectors could do very useful work in inspecting but should not be the sole auditors.

B. Radha Mohan said that it was not the practice for the central banks to be audited by their own men. Their own men only audited subordinate rural societies.

Mr. Ewbank asked if he could say that he would get deposits at the same rate if Government were not responsible for the audit ?

B. Radha Mohan said that in the United Provinces they were already refusing deposits and did not find it difficult to get money.

Maulvi Sayid Ali said that the United Provinces system had not failed. No case of fraud had yet occurred. The Government staff had already sufficient work to do, and it would be inadvisable to burden them unnecessarily with the audit.

Mr. Mackenna said that it was necessary to make a revaluation every year or else the audit sheets did not represent the facts.

The President pointed out that as Government servants were subject to transfer, it did not follow that they would have such accurate local knowledge as the Central Bank men.

Mr. Langley pointed out that they did not demand Government officers but only a Government audit.

Mr. Crosthwaite thought that it was impossible to control men whom you did not appoint. It was only necessary to assure the public that a business was run

on good sound co-operative lines and the certificate of the Registrar was accepted. This would not be the case were there no Government audit.

Mr. Hammond said that he had recently received a letter from a well-known Bank asking for an assurance that the audit was conducted by his own "professional" auditors and that it was not an "amateur," as they called him, who was auditing.

Mr. Crosthwaite pointed out that they did not want a regular Government service. A service of outside auditors paid by central banks would be sufficient as long as they were under the control of the Registrars.

The President asked if what was wanted was the employment on fees of a class of licensed auditors approved by the Registrar?

Mr. Chatterjee said he did not see what difference there was between their system and that advocated by other Registrars.

Mr. Crosthwaite said that under the United Provinces system a man was appointed who was the servant of the bank and that his audit should not be taken.

The Rev. E. M. Wheeler pointed out that it did not matter who paid for the man's services but who controlled him. He pointed out that they were protesting against an innovation. It was not they who wanted something new. They wished to maintain the previous practice.

Mr. Chatterjee explained that the Registrar could require a central Bank to dismiss an auditor of whom he did not approve, that under the Act he could refuse to accept their audit unless he approved of the auditor.

Mr. Crosthwaite suggested that the following four principles should be confirmed :—

(1) No business concern audits its own business.

(2) The assets of small rural and industrial societies are part of the stock-in-trade of central banks.

(3) Therefore it is unsound and unbusiness-like to allow the audit of rural and industrial societies to be conducted by servants paid by and under the discipline of the directors of central banks.

(4) The audit must be independent. Where is that audit to come from except from a staff under the discipline and control of Government? The question of payment of such a staff does not affect the principle at issue.

Mr. Langley then asked for leave to read a note which he had written on the subject.

I am in agreement with those who hold that the co-operative societies are not yet able to manage their own affairs, either singly or through Unions or Central Banks. It is possible that we may reach the happy state of things when they will be able to do so and when the Registrar will be merely a registering officer, doing nothing in the way of guidance and control, or, at any rate, we may approach to it, for one very marked result which the co-operative societies are having is that they are bringing to the front a large number of good men who have hitherto had no opportunity of showing their qualities. But it will be some time before men of this stamp can conduct co-operative work without help. Meanwhile, both societies and unions require not only a Government audit but the controlling presence of a sympathetic Government staff always at hand to advise them and correct their faults.

This means that as the societies go on increasing in number, the Government controlling staff must be more and more increased. No doubt, as individual societies and groups of societies gain strength and experience this control will become relaxed and the societies here and there will become more self-managing; but it seems probable that the increase in the number of new societies will be more rapid than the growth of their capacity for self management; so that I fear we must look forward to a steady increase in the Government controlled staff. By "Government controlled" I do not mean necessarily "Government paid." We

shall have to get the societies to contribute liberally to the payment of this staff, and I think there will be no difficulty in effecting this. But even though the staff is for the most part paid by the societies, I think it will still have to remain under Government direction for many years to come.

He added that the Government of India need not fear the officialization of the movement. The Government staff would always be too small for this. It would be necessary for some years to come to add to the Government staff but even so the growth of societies would precede additional staff. Joint Stock Companies did not understand joint and several unlimited liability but they did understand the efficiency of Government audit. They had lent considerable sums of money to the movement on the security of this Government audit, and he thought that Government would be open to a charge of breach of faith if the Government audit were now withdrawn.

Mr. Mackenna said the position was the same in Burma and unless the staff for control were increased, it would be necessary to close down the movement. No one of less status than Assistant or Junior Assisant Registrar could really efficiently supervise societies. The time would come when some of this work could be delegated to Unions, but it had not yet come. There was no reason why Unions should not pay for the staff but Government must control it.

The President remarked that it was always realised that where new areas were exploited, new staff would be necessary, but it was to be remembered that the chief use in the formation of Unions was that they afforded the means of securing adequate control independently of Government and where such Unions existed, it was advisable to use them. The audit conducted by central banks was not entirely a private audit because under section 17 of the Act the auditor must be approved by the Registrar. He thought that too much emphasis might be laid on the contention of the central bank's auditing its own affairs. Mr. Wolff's opinion of Government officers was that they tended to fall into a groove of routine and that their supervision was not as efficient as that of unions and central banks. There was also a further disadvantage in Government staff which should not be forgotten. They already had a large number of subordinate Government servants who went round in the districts and imposed themselves on villages. It was undesirable that co-operation should add to the number of petty officials of this class, but he admitted that for the present the Government staff must be expanded.

The Rev. E. M. Wheeler said they would be content with that if they were given assurance that the future to which the President pointed was remote.

Mr. Crosthwaite asked what was meant by a large staff. In the Central Provinces they had one auditor to 150 societies, and he did not think this should be considered too much. He was very glad to note that Government was sympathetic and he asked for a ruling whether the Central Provinces staff was considered too large. Central Banks at present paid $\frac{1}{5}$ of the cost, but this was not for audit.

Mr. Langley said that there was no objection to the Central Banks paying for the staff, but they should not be allowed to control it.

Mr. Chatterjee said that their contention was that in the United Provinces their system did not mean the central banks' auditing their own affairs. The existing staff of Government auditors could not audit all the societies. One man could not audit the affairs of 150 societies consisting of a 100 or 150 members if the audit were to include revaluation. He would require one auditor for every 50 societies and that would mean 40 auditors in the United Provinces alone and one Registrar would be unable to control 40 auditors.

Mr. Crosthwaite suggested a standard of one auditor for 100 societies. But as they must show 100 additional societies before they got their extra auditor the staff was always behindhand.

The President suggested that the nearest approach to ordinary European practice would probably be to get the Provincial Banks to undertake the audit.

Mr. Crosthwaite said that in time Provincial Banks might be used for auditing especially if the central banks were not members, but they were not yet in a position to employ the necessary staff.

Mr. Langley then moved the following Resolution:—

That it is undesirable at the present time to relax the Government control over the auditing and inspecting staff. The conference is of opinion that this staff should for the present be appointed by and be under the direction of the Registrar and should not be under the control of central banks or unions.

The Rev. E. M. Wheeler seconded it.

Mr. Narayanayangar moved the following addition to the Resolution:-

"*and that this staff should be increased with the growth of societies.*"

The resolution with this addition was accepted by the conference.*

X (*b*) AUDIT FEES.

Mr. Swamikannu Pillai then put in the following note on Audit Fees:—

Section 17 of India Act II of 1912 provides that the Registrar shall audit or cause to be audited the accounts of every registered society once at least in every year and also that the audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society. Clause (3) of the same section also provides that the Registrar may authorize any person or persons to make an inspection of the accounts of societies.

2. Under section 21 (2) of the old Act no charge was leviable in respect of audit, whereas, under section 43 (2) (*h*) of Act II of 1912 it is open to the Local Government to make rules providing for the charges, if any, to be made for the audit of accounts of societies.

3. Neither the old Act nor the present one says anything about charges for the general inspection of societies, although it is provided in both that the cost of special enquiries may be apportioned between societies and the members or creditors demanding an enquiry.

4. Except the few societies comprised within the two local unions (Uttaramallur and Kilacheri in the Chingleput district) which were registered under the old Act, no other societies paid any charges on account of their inspection, although the best course would probably have been to have accustomed societies from the beginning to contributing towards the cost of their inspection. In this Presidency, however, and presumably also elsewhere, the same persons have from the beginning been employed as Inspectors as well as Auditors, and a charge on account of inspection would probably have been misconstrued as an evasion of the Act which conferred on societies the privilege of free audit. At present, there seems to be absolutely no reason why a charge should not be fixed by rules framed under the Act for audit or why a contribution for inspection charges should not be levied from societies either by arrangement with them or as a condition preliminary to organization and registration.

5. An auditor need not be an Inspector: in fact, in the case of the larger societies, stores and central banks the occasional employment of a professional auditor would seem indispensable: but for all ordinary societies, especially rural ones, an audit spread over the whole year and conducted *pari passu* with inspection would seem to be the most economical course. On the one hand, the books of a rural society to be audited are very simple and made purposely so both to enable persons with no higher attainments than, a village schoolmaster for instance, to keep them and to enable the ordinary member of a rural society to understand and check them if he pleases. For this reason a professional auditor is out of place when it is a question of auditing a rural society. On the other hand, the audit of a rural co-operative society cannot be carried out satisfactorily unless the auditor has his eyes and ears open to all facts relevant to the well-being of a society. Where a professional auditor might content himself with ascertaining that vouchers in apparent order were forthcoming in all cases to support expenditure and that there was evidence that all admitted receipts had been duly carried to the cash book, the auditor of a rural society has to satisfy himself that vouchers given by illiterate persons who cannot sign their names or whose signa-

* A statement of the staff at present entertained by Government and that entertained by Societies and Unions is printed as an Appendix to these proceedings.

tures can easily be forged, are genuine and that receipts have been given for all moneys paid into the hands of societies' officials and for the full amounts thereof. These are matters falling within the observation of an Inspector who would be better prepared, after enquiring into them in the course of his inspections, to conduct the audit of a society's books. For the same reason it has been found advisable to bring the audit up to date every time an Inspector visits a society and to use the final audit for drawing up the statement showing the society's financial position at the end of the year.

6. For these reasons it is recommended that in the case of rural societies it would be best to employ Inspectors as Auditors and *vice versa*.

7. As regards audit fee, a charge of 10 per cent. on the net profit (subject in the case of a few societies which make a very large net profit to a maximum) would in the long run meet all requirements by way of inspecting staff. The same charge would relieve societies from the necessity of making any further contributions towards the support of unions ; that is, with this charge it would be possible to start unions everywhere and unions would be entrusted with the task of arranging for the inspection and ordinary audit of societies, only the general control and any special audit of the most important societies being retained by the Registrar. The kind of unions that can be started everywhere are, as stated in the Bombay report for 1911-1912, District unions each of which would be composed of all the societies in one or at most two districts. Local unions could be started where feasible under District unions and supported out of the same audit fee as District unions, but except in a few districts it is not the case that societies are distributed over areas sufficiently compact to form unions. An advantage of district over local unions is that the men to manage a union can be more easily found at district headquarters than in local areas where all the available brain power has been already absorbed for the panchayats of societies. On the other hand, the close area and control at arm's length are undoubted advantages which local unions possess over District unions. On the whole it seems desirable to retain both principles in the organisation of unions.

8. By making the unions financial as well as administrative agencies, money for running the union system may be found, at least in course of time, *automatically*, so as to relieve societies of a portion, if not the whole, of the audit fee. Of course it is not an easy matter for a union to start work at once with sufficient capital to enable it to finance all the societies comprised in its area ; but it can finance as many as it can and for the rest it need act merely as an intermediary, relying on such commission as the existing Central Banks may be willing to allow it for its services. In the area served by the Madras Central Urban Bank, Limited, which is capable of being divided at once into 10 District unions and later into 15 or 16, I understand that the central bank directorate is willing to lend money to the District unions at 7 per cent. so that the unions will have a clear $\frac{1}{2}$ per cent. *per annum* on all money passing through their agency to and from rural societies. The outstanding loans of rural societies to the Madras Central Urban Bank, Limited, being at least 20 lakhs of Rupees an annual income of Rs. 10,000 is thus assured to the 10 District unions above referred to. It happens that the unions will have another important source of income. At present the reserve funds of all rural and urban societies are invested in central banks which pay 5 per cent, on the reserve funds and are able to lend them out again at $7\frac{1}{2}$ per cent. If the reserve funds were invested in the new District unions, the profit of $2\frac{1}{2}$ per cent. on the reserve funds would enlarge their income for the benefit of the union movement instead of merely contributing to swell the dividend of the central banks.

9. The supervision and control of the District union staff of Inspectors and Auditors would rest largely with the unions themselves. The Registrar and his assistants could retain the right to require the removal of any Inspector whose work was found to be unsatisfactory, but that would only show that the District union concerned was itself not being efficiently managed.

He added that at first in Madras they had one Inspector to every 25 societies which had been considered too large, but the number of societies had increased

and the number of inspectors had not, and now they had one inspector to some 50 societies. He suggested that 10 per cent. should be paid on the net profits of societies towards inspecting staff and if central banks paid for the staff, it was only fair that they should appoint them. He did not think credit would be effected. Government supervision did not mean nothing but audit.

Mr. Langley said that many societies were in no Union, and were independent of any central bank and unless some proposals such as that of Mr. Swamikannu Pillai were accepted they would pay nothing. He thought that it was a good suggestion that they should pay a separate fee.

Mr. Crosthwaite suggested it would be sufficient to make a start by making societies pay a fee for inspection which included in the case of an illiterate society the writing up of accounts. It was fair that societies should pay something for this service.

Mr. Ewbank thought there might be a danger if societies no longer got their audit free. The practice of giving Government loans had been withdrawn together with other concessions, and unless some definite advantage remained, societies or groups of societies, might refuse to register themselves under the Act.

Mr. Swamikannu Pillai thought they would get no credit unless they were so registered.

Mr. Ewbank pointed out that there were two such unregistered societies already existing in Bombay, and that they had no intention of becoming registered.

The President remarked that when the new Act was under discussion, many Local Governments asked that no fee should at present be levied and he thought *the sense of the meeting was that the time had not yet come when fees should, as a rule, be levied.*

VI (*c*) Control of District Officers.

"Should the Registrar's control be gradually transferred to District Officers?"

Mr. Langley read the following note—

On the question of Government control I gave the opinion that for long we should require a Government staff.

The question then arises, who is to direct this staff? I have no hesitation in saying that in my opinion it would be directed most efficiently by a Registrar with one or more Assistants. But we have also to look at the matter from the point of view of district administration. To take the case of the Jullundur district in the Punjab. There are now 430 societies in that district, not less than half the villages in the district having either a bank of their own or being connected with a bank. It can readily be understood what an important part the village banks are playing in the economic life of the Jullundur district and that the part they play will become more and more important. How can the district officer in a district like Jullundur avoid (even if he wished to) taking a very close interest in the working of the village banks? These banks come into touch with the district administration at any number of points. Therefore, I think that when the Deputy Commissioner (or Collector) of a district in which the village societies begin to take an important place wishes to be the controlling officer, he should take the place of the Registrar in that district, only referring to the Registrar any matters on which he may want advice.

I shall perhaps be told that this proposal means officializing the movement. But I maintain that the societies must be under Government direction for a good many years yet and that any endeavour to introduce self-management too soon will seriously endanger the success of the movement. I am not advocating putting the societies everywhere directly under the district officer. I only suggest that when a certain stage of development has been reached in a district and when the district officer recognises the societies as forming an important part of his administration and wishes to take the place of the Registrar in connection with them, he should do so.

Kunwar Maharaj Singh said that district officers varied, but in the United Provinces the Chairman of the District Bank was *ex-officio* the chief officer of the district.

Mr. Crosthwaite said that in the Central Provinces they had two district officers who were *ex*-Registrars and they ran the co-operative movements in their districts, thus relieving him much to his satisfaction of a considerable amount of work. These officers might, however, be transferred to-morrow and their place taken by officers who had not the advantage of the same experience and he would then find himself overweighted.

The Rev. E. M. Wheeler, speaking as a non-official, said that they would deprecate the proposal most strongly. Non-officials would not like to work under District Officers who were constantly changing and would have no fixed policy. They could not contemplate continuing their work unless the work was under a central officer whose policy they knew. They were only too glad of the sympathy and the assistance of District Officers, but they would deprecate being placed under their control.

Mr. Mackenna said that they were always glad of the help of District Officers, but cases had occurred where District Officers had been allowed to start the movement in their districts and had then left leaving the societies they had founded as lone orphans. He thought the activity of District Officers should be confined to encouragement.

R. B. Kelker said that in some instances he found District Officers were not in favour of co-operation.

The President pointed out that the new Act had made a slight alteration. Under the old Act the Deputy Commissioner was not only authorised himself to inspect, but also to delegate the power to officers under him. Under section 17 (3) of the new Act the power of delegation has been taken away.

Mr. Hammond, speaking as one who had lately been a District Officer, thought that some members were inclined to overlook the fact that the Deputy Commissioner was generally far too hard-worked to have time to look after societies.

The Conference held that it was ordinarily advisable for the District Officer to be ex-officio on the management of such Central or District Banks as dealt with the whole or a large part of a district.

On the motion of Mr. Mitra the following was added :—*That similar principles should apply within a sub-division to the Sub-Divisional Officer.*

VI. (*d*) Famine or Scarcity.

R. B. Narayan Rao Kelker then read the following note on the attitude of the State to the co-operative movement in times of famine or widespread calamity :—

In times of famine or widespread calamity co-operators are entitled to expect the assistance of the State. Trade is disorganized and the money market upset. The administration of State aid by means of co-operative credit organization would be preferable to the administration of State aid by Government officers. The views of the Conference are invited as to what the attitude of the State should be towards the co-operative credit movement in times of famine or widespread calamity.

He added that the Honourable Member Sir Robert Carlyle had sufficiently answered him. He wished to emphasize that they did not want charity. They looked for financial aid only in times of famine or scarcity, but they did not want it as charity but on business principles. At such a time ordinary credit failed and all ordinary resources failed. They would be glad to have an assurance that in such times Government would give credit to Central Banks and give them loans not as charity but on business principles. If *takavi* were given through banks the tenants were not benefited.

Mr. Ewbank said that in Bombay in times of famine Government gave agricultural advances through co-operative societies. *Takavi* advances required enquiry and took a long time to disburse and longer when the District staff was otherwise engaged. The co-operative society under their system endorsed the bond of the borrower who had to pay to the society an extra half per cent. as surety fee. They also had another resource. The Wadia Trustees had given them a certain sum which was to be a kind of reserve within a reserve. A condition was that societies should pay to a famine reserve fund 10 per cent. of their ordinary reserve fund.

The Rev. E. M. Wheeler asked that the Act should be amended to allow of *Takavi* loans being given to co-operative societies.

Maulvi Fuzlul Huq objected that this would not meet the case of those numerous cultivators who are not members of co-operative societies.

The Rev. E. M. Wheeler pointed out that the Government rates of interest on agricultural advances was 6¼ %, yet he had calculated that in practice the ryot paid something like 27 % including deductions and illegal exactions.

Mr. Langley said it would be a convenience to District Officers if the advances could be distributed through co-operative societies.

Mr. Hammond said that the societies had their organizations all ready for the distribution. But if they distributed the advances and received a fee, it was fair that they should also collect them. Recently a private gentlemen, Mr. King, realising the extortion and the leakage which took place in distribution of agricultural advances offered to take it over and the result was so successful that at the end was given an honorarium for his services.

Mr. Chatterjee said that the distribution of *takavi* through co-operative societies had not been adopted in the United Provinces, because it was thought that there were political objections to it. Unless *takavi* were distributed direct, the recipients would not realize that the money came from Government.

Mr. Crosthwaite said that he thought co-operative societies should not have the benefit of the summary procedure prescribed under the Takavi Act for the recovery of the loans. They should only be recoverable as ordinary business transactions under the Co-operative Societies Act.

Mr. Ewbank objected that if *takavi* were distributed through societies immediately after the concession of Government loans to such societies were withdrawn, it would be giving with one hand what had been withdrawn with the other.

The Rev. E. M. Wheeler said that he would be prepared to accept ordinary loans even at an extra rate. They might be lent out to members at the ordinary rate.

Mr. Crosthwaite said that in the Central Provinces some Deputy Commissioners refused to give *takavi* to members of co-operative societies holding that as they had credit they were not in need of them.

The President explained that in the somewhat analogous case of the Môn Canal area in Burma land-improvement loans were being distributed to cultivators who were taking up new land, through co-operative societies formed for the purpose. The Burma Registrar had, however, objected to the societies receiving the money at the ordinary low rate for *takavi* loans.

Mr. Crosthwaite pointed out that it would be impossible to recover *takavi* from Central Banks as arrears of land revenue, because the only result would be to break up the Central Bank, but if they were charged a higher rate of interest he thought they would be entitled to the summary procedure. Ordinarily they were able to obtain money at 6 % but if he anticipated serious famine or scarcity he would not feel justified in taking a loan of Rs. 20 lakhs from a Joint Stock Bank as he would consider the proceeding too risky. He suggested that Government should accept the principle that in emergency Government would make loans on business terms.

Mr. Chatterjee thought that so far from charging higher interest in times of famine and scarcity, Government should charge a lower rate, because the neces-

sity of the time was greater. He pointed out that Government would save at least 1 per cent. on the loans through using the staff of Banks.

The President said that apparently the Conference would like Government to advance money in times of famine or scarcity to the co-operative societies either as *takavi* or as ordinary loans and that to enable them to make *takavi* loans the Act should be amended.

Mr. Ewbank said he was opposed to any change, because they had for some time been inducing their societies to build up a famine reserve, and it would be more difficult than ever to do so if societies realized that in times of famine they could always get loans from Government. He would not give *takavi* to the societies. He thought it would be better to give it through societies as guarantors who would charge a commission. In answer to an enquiry, Mr. Ewbank said that on the whole their societies had pulled through the recent period of scarcity in Bombay very satisfactorily. He had induced depositors and creditors to defer their demands telling them that at present they would get no more than a $\frac{1}{3}$ of their claims, but that they would get them in full if they waited till next year.

The Conference agreed to the following resolution :—

The legal position regarding issue of takavi *to or through societies should be considered, and if it were ascertained that this was not at present permissible, the Act should be amended accordingly.*

The Rev. E. M. Wheeler proposed a vote of thanks to the Chairman and one to the Secretaries, and the proceedings closed.

H. B. HOLME,

Secretary.

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on 31 October, 2019

APPENDIX.

Statement showing the strength and remuneration of the audit and controlling staff entertained in the different Provinces of India (a) *by Government,* (b) *by Societies.*

Province.	Staff entertained by Government.					Staff entertained by Societies.				Temporary staff entertained.		Remarks.
	Registrar	*Assistant Registrar.* Highest limit of pay Rs. 500. Lowest limit of pay Rs. 150.	*Inspector.* Highest limit of pay Rs. 150. Lowest limit of pay Rs. 30.	*Auditor.* Highest limit of pay Rs. 250. Lowest limit of pay Rs. 30.	*Clerk.* Highest limit of pay Rs. 100. Lowest limit of pay Rs. 20.	*Inspector.* Highest limit of pay Rs. 100. Lowest limit of pay Rs. 20.	*Auditor.* Highest limit of pay Rs. 30. Lowest limit of pay Rs. 15.	*Clerk.* Highest limit of pay Rs. 30. Lowest limit of pay Rs. 8.	*Other workers.* Highest limit of pay Rs. 85. Lowest limit of pay Rs. 25.	*Other workers.* Highest limit of pay Rs. 85. Lowest limit of pay Rs. 25.	Honorary Organisers.	
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	
1. Madras	1	3	28	3	21	..	..	..	..	..	..	
2. Bombay	1	..	4	4	6	Information not given	..	..	..	10	18	
3. Bengal	1	1	8	..	3	2*	..	18	..	..	..	* Includes semi-Government establishment also.
4. United Provinces ..	1	1	9	..	7	74†	..	..	..	..	..	† Includes auditors also.
5. Punjab	1	..	16	Information	not given	..	..	..	..	..	..	
6. Burma	1	10	13	Information	not given	4	..	..	..	..	..	
7. Bihar and Orissa ..	1	1	..	3	Information not given	..	..	..	..	..	..	
8. Assam	1	1	1	..	2	..	..	..	..	..	..	
9. Central Provinces ..	1	1	..	7	5	2	4	15	4	..	..	
10. Coorg	1	..	..	..	1	..	..	..	..	..	..	
11. Ajmer‡	1	..	..	..	..	..	..	..	..	..	..	‡ The work is done by the General Manager, Court of Wards, and his establishment.
12. Baroda	1	..	..	1	1	..	..	..	..	..	..	
13. Mysore	1	..	Information	not given.	..	..	..	..	..	..	..	
Total ..	13	18	79	18	46	78	4	33	4	10	18	

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